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Printed for the use of the Colonial Office.

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Middle East
No. 49.

Co. 935/4

Secret.

PERSIAN GULF

Concessions in Bahrein, Kuwait, &c.

CLOSED
UNTIL
1964

CORRESPONDENCE

1932 to July, 1933

(*In continuation of Middle East No.* 32.)

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		—		
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		1932		
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1932 —	
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13 Political Resident No. 46 September 30th (Rec. October 24th)	States, in reply to No. 12, that no definite areas were covered, but that the extension of the prospecting licence for a further period of one year from December, 1932, will specify the areas selected 9
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20 Political Resident. Confidential. No. 21 March 21st (Rec. April 18th)	Transmits, with reference to No. 19, copy of correspondence with Political Agent regarding nationality of employees in Bahrein... 12
21 Mr. F. C. Starling (Petroleum Department) to Mr. K. W. Blaxter (Colonial Office) ... ... May 1st	Transmits views of Petroleum Department showing that trained British personnel is available, and expresses opinion that Company should be pressed to employ British labour as required by Agreement 13
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1932 —	
26 Political Resident. Confidential, No. 18 ... May 16th (Rec. May 25th)	Transmits copies of two letters from Political Agent enclosing correspondence with Bahrein Petroleum Company regarding the extension of their prospecting licence and modification of Clause IX, Schedule II, of their Concession 15
27 To Petroleum Department June 11th	Transmits copy of No. 26, and inquires whether Secretary for Mines agrees that the Shaikh should be advised to grant extension of licence for one year only, and asks to be advised as to what reply should be returned to Company's application for a revision of Clause IX 20
28 Petroleum Department June 20th	Considers that extension of prospecting licence for one year might be given, and that the Company's modification of Clause IX might be agreed to subject to provisos regarding the measurement of oil produced... 20
29 India Office ... ... June 27th	Agrees that the Shaikh may be advised to grant an extension of one year, and also considers that no objection need be raised to an amendment of Clause IX subject to safeguards proposed by Petroleum Department 22
30 Foreign Office ... June 30th	Having regard to the recommendations made in No. 28, makes no observations upon extension of Company's prospecting licence 23
31 Admiralty .. ... July 15th	Makes no observations regarding the extension of the prospecting licence on the revision of Clause IX, but urges that omission of adequate safeguards for British interests should be rectified if suitable occasion arises 23
32 To Political Resident. Telegram No. 6, Confidential ... ... August 5th	In reply to No. 26, states that extension of licence for one year is approved and also revision of Clause IX subject to addition of provisions with regard to measuring and checking amount of oil produced for purpose of computing royalties 23
33 Mr. J. E. W. Flood (Colonial Office) to Mr. H. R. Ballantyne (Bahrein Petroleum Company, Limited) ... August 8th	Transmits copy of enclosure in No. 28 and inquires if the Company desire to offer any comments on wording of provisions 24
34 Mr. J. E. W. Flood (Colonial Office) to Mr. C. F. A. Warner (Foreign Office), Mr. F. C. Starling (Petroleum Department), Captain J. H. D. Cunningham (Admiralty), and Mr. J. G. Laithwaite (India Office) August 22nd	Transmits note of interview granted by Mr. Flood to Mr. H. R. Ballantyne and Mr. L. W. Hamilton of the Bahrein Petroleum Company on 12th August to discuss revision of Clause IX of Concession Agreement and the conduct of the Company's local representative 24
35 Bahrein Petroleum Company, Limited ... August 18th	Refers to interview granted on 12th August and assumes that the Shaikh of Bahrein will communicate to Company his consent to the extension to 2nd December, 1933, of the period covered by the prospecting licence 26

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1932	
36 Mr. H. R. Ballantyne (Bahrein Petroleum Company) to Mr. J. E. W. Flood (Colonial Office) August 18th	States, with reference to No. 33, that in principle the provisos for measuring crude oil are acceptable, but suggests that they be added to Clause VIII of the schedule rather than Clause IX of the Second Schedule, and submits draft of new provisions showing suggested modifications 26
37 Bahrein Petroleum Company ... ... August 23rd	Asks His Majesty's Government to advise the Shaikh of Bahrein to grant further extension of the prospecting licence to 2nd of December, 1934, for reasons explained 27
38 To Bahrein Petroleum Company ... August 30th	States, in reply to No. 37, that other Departments of State are being consulted 28
39 To Bahrein Petroleum Company ... August 30th	States, in reply to No. 35, that Political Resident has been requested to arrange for the Shaikh to intimate formally his agreement to extension of the prospecting licence to 2nd December, 1933 28
40 Mr. J. E. W. Flood (Colonial Office) to Mr. H.R. Ballantyne (Bahrein Petroleum Company) August 30th	States, in reply to No. 36, that other Departments of State are being consulted with regard to the revision of Clause IX. Considers that the Second Schedule will have to be modified, and states reasons 29
41 To Petroleum Department August 30th	With reference to No. 28, transmits copy of No. 37 and states that, if Secretary of Mines considers that further extension is reasonable, and all Departments of State agree, it is proposed to inform Resident that, if Company should apply for a further extension, His Majesty's Government have no objection to the Shaikh agreeing to it 29
42 To Petroleum Department August 30th	With reference to No. 28, transmits, with comments, copy of No. 36 30
43 To Political Resident. Confidential ... August 30th	Transmits, with reference to Nos. 26 and 32, copy of No. 35 intimating that Company are awaiting communication of Shaikh's consent to extension 30
44 Bahrein Petroleum Company ... ... September 5th	States, in reply to No. 40, that Company is ready to accede to the suggestion of a further modification of Clause IX of the Second Schedule, and suggests further amendments 31
45 To Petroleum Department September 27th	Transmits, with reference to No. 42, copies of Nos. 40 and 44, and requests views thereon 31
46 Petroleum Department October 13th	Acknowledges Nos. 41, 42, and 45, and submits observations thereon. Considers it preferable to inform Company that any question of the further extension of period of prospecting licence must be reviewed again later on, and that detailed information as to progress and of immediate drilling programme should be supplied with any further application ... 32
47 To Mr. H. R. Ballantyne October 26th	States that His Majesty's Government are prepared to accept the revised draft provisions enclosed in No. 36, and concur in the further amendments to Clause IX submitted in No. 44, subject in both cases to certain further suggestions being agreed to 33
48 To Mr. H. R. Ballantyne October 26th	States, in reply to No. 37, that His Majesty's Government are not prepared to advise the Shaikh to grant an extension, but will, if Company desire it, reconsider question later, say, in April, 1933, and information should then be supplied of progress and of drilling programme 34

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1932	
49 Bahrein Petroleum Company ... November 25th	Demurs to publication by the Shaikh of their output statistics except such as may be required by law; agrees to suggested amendments to Article VI of main Agreement and Article IX of Second Schedule, but deprecates delay in framing such consequential amendments to Mining Lease as may be entailed ... 34
50 Bahrein Petroleum Company ... ... December 2nd	Transmits six prints of modifying Agreement ... 35
51 To Petroleum Department December 3rd	Transmits copy of No. 49 and states that it is proposed, unless Secretary of Mines feels unable to accept proposal, to instruct Political Resident to arrange for a supplementary Agreement to be concluded between the Shaikh and the Company. Comments on Company's objection to delaying amendment of terms of Mining Lease and asks for observations thereon 35
52 To Petroleum Department December 12th	Transmits copy of No. 50 with comments and asks for observations thereon. Suggests that Company should be informed that they are now at liberty to proceed with conclusion of Agreement 36
53 Bahrein Petroleum Company ... ... December 15th	Transmits copy of a letter from Mr. E. A. Skinner to Major F. Holmes regarding the supply of fuel oil and suggests that letter evidences the very real need for an immediate settlement of draft Agreement 36
54 Mr. J. G. Laithwaite (India Office) to Mr. J. E. W. Flood (Colonial Office) ... December 15th	Comments on Nos. 47 and 52 37
55 Mr. J. E. W. Flood (Colonial Office) to Mr. C. F. A. Warner (Foreign Office), Mr. J. G. Laithwaite (India Office), Commander J. W. Rivett-Carnoc (Admiralty), and Mr. F. C. Starling (Petroleum Department) December 20th	Transmits copy of No. 53 and asks for replies to previous letters to be expedited 38
56 Mr. F. C. Starling (Petroleum Department) to Mr. J. E. W. Flood (Colonial Office) December 23rd	Furnishes observations on several points, and suggests that Supplementary Agreement should be settled ... 38
57 Petroleum Department December 23rd	In reply to Nos. 51 and 52, submits observations on several points and considers that Company would be well advised to accept an Agreement modifying prospecting licence now, in order that operations may be allowed to continue, it being understood that alterations to the Mining Lease will be taken up with the Company at an early date 39
58 Foreign Office ... December 28th	Sees no objection to the conclusion by Company of a Supplementary Agreement 40
59 To Bahrein Petroleum Company, ... December 29th	States, in reply to No. 50, that draft of Modifying Agreement is generally acceptable to His Majesty's Government, subject to minor alterations 40
60 Mr. J. E. W. Flood (Colonial Office) to Mr. F. C. Starling (Petroleum Department) December 29th	Transmits copy of No. 59 and comments thereon ... 41

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1932	
61 Bahrein Petroleum Company ... ... December 30th	Acknowledges No. 59 and states that the alterations suggested are agreed to by Company; and transmits copy of draft Indenture showing all alterations suggested by His Majesty's Government and Company. Considers that any alterations to be made in the form of the Mining Lease should be subject of negotiation and agreement between interested parties ... 42
62 Mr. J. E. W. Flood (Colonial Office) to Mr. F. C. Starling (Petroleum Department) December 30th	Transmits copy of No. 61 and comments thereon ... 43
63 To Bahrein Petroleum Company ... December 30th	Acknowledges No. 61 44
64 Mr. F. C. Starling (Petroleum Department) to Mr. J. E. W. Flood (Colonial Office) ... ... December 31st	In reply to No. 62, agrees that Modifying Agreement can now be completed. Thinks it should be made clear to Company that as they have received very favourable consideration in the past it will be expected that they will be reasonable over modification to Mining Lease, which it is intended to put forward and which must necessarily be subject to negotiation between parties concerned 44
1933	
65 Bahrein Petroleum Company ... ... January 2nd	Acknowledges No. 63 and states that Company is pleased to note that there is no suggestion on the part of His Majesty's Government that the form of Schedule 3 to the Concession Agreement is open in any way ... 45
66 To Political Resident. Confidential ... January 5th	Transmits copies of Nos. 16, 35, 45, 46, 47, 49, 50, 51, 52, 53, 57, 59, and 61 and of draft Agreement... 45
67 Political Resident. Confidential, No. 51 December 22nd (Rec. January 17th)	Transmits copy of Supplementary Agreement covering extension of the prospecting licence 46
68 Admiralty ... January 20th	States, with reference to Nos. 57 and 59, that great importance is attached to inclusion of pre-emption and refining safeguards. Considers it desirable to draw Bahrein Petroleum Company's attention to condition D of their agreement regarding employment of British subjects 46
69 Mr. K. W. Blaxter (Colonial Office) to Mr. F. C. Starling (Petroleum Department) January 24th	Transmits copies of Nos. 63 and 65 and states that it is felt that Company should be informed officially of the exact amendments His Majesty's Government desire to make, and suggests that a memorandum be prepared setting out in detail the required amendments which could then be discussed at an interdepartmental meeting 47
70 Political Resident, No. 18 February 24th (Rec. March 23rd)	Transmits copies of the Supplementary Agreement concluded on 15th February, 1933 47
71 Acting Political Resident. Confidential, No. 26 April 17th (Rec. April 24th	Transmits copy of letter from the Political Agent enclosing letter from Chief Local Representative applying under Article IV of the Concession of 1925 for a further extension of prospecting licence for one year as from 2nd December, 1933, and also putting forward an alternative proposal involving an extension of prospecting licence until 2nd March, 1935, and an increase in the area in Bahrein over which Company hopes to secure mining rights 49

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1933	
72 Acting Political Resident. Telegram, No. 9 ... April 27th (Rec. April 27th)	States with reference to No. 71 that Bahrein Government are not disposed to grant without *quid pro quo* further extension of prospecting licence as it would result in postponement of increased payments of rupees 30,000, which become due when Company enter on Mining Lease, and further states that such extension will be reluctantly agreed to if it is not within their power to withhold it 51
73 Political Resident, Persian Gulf to Secretary of State for India. Telegram No. 322 ... ... April 27th (Copy rec. in Colonial Office May 1st)	Transmits, with reference to No. 72, message for Lieut.-Col. Fowle stating that it is understood privately that, for loan in return for one year's extension of prospecting licence, Bahrein Government have in mind 60,000 rupees, repayable over 3 or 5 years, from royalties when latter exceed one lakh yearly; also that Shaikh might also be willing to grant additional area if good terms are offered. Stresses importance of not giving Shaikh the idea that Bahrein is being sacrificed to other interests ... 52
74 Mr. F. C. Starling (Petroleum Department) to Mr. K. W. Blaxter (Colonial Office) ... ... May 2nd	Encloses, with reference to No. 69, a memorandum regarding amendments which it is thought should be made to form of the Mining Lease 52
75 Colonial Office ... May 3rd	Extract from a record of a meeting at which the extension of prospecting licence and amendments to Mining Lease were discussed 55
76 Mr. J. G. Laithwaite (India Office) to Mr. F. C. Starling (Petroleum Department) ... ... May 3rd (Copy rec. in Colonial Office May 6th)	States that question of area covered by Shaikh of Bahrein's dominions has been looked into, and observes thereon 57
77 Colonial Office ... May 8th	Note of an interview between Mr. Lombardi and Mr. Ballantyne, Bahrein Petroleum Company, and Mr. A. C. C. Parkinson and Mr. K. W. Blaxter 58
78 To Treasury Solicitor May 11th	Submits various documents and correspondence regarding powers of government of Bahrein to withhold extension of prospecting licence, and requests observations 59
79 Mr. F. C. Starling (Petroleum Department) to Mr. K. W. Blaxter (Colonial Office) ... ... May 16th	Acknowledges No. 22 and agrees that Company need not be pressed further regarding employment of British drillers. Draws attention to fact that Company have not furnished detailed information of progress made and of drilling programme. Suggests points on which it is considered information should be supplied, and further suggests that the Company should be asked to supply a similar report every six months on the 31st December and the 30th June 60
80 Treasury Solicitor . May 18th	In reply to No. 78, states that power of withholding extension of prospecting licence exists, and furnishes detailed observations on various points arising ... 61
81 Political Resident. Confidential, No. 27 ... April 28th (Rec. May 22nd)	Transmits, with reference to No. 72, copies of two letters from Indian Assistant to the Political Agent enclosing (1) copies of letter from Major Holmes and of an Indenture relative to the extension of the area of the concession, &c., and (2) letter from Financial Adviser to Bahrein Government stating that the Shaikh and his Government are not disposed to grant an extension of prospecting licence on existing terms 63

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1933	
82 To Mr. H. R. Ballantyne May 25th	Requests information regarding Company's field operations in connexion with applications for extension of their prospecting licence 67
83 Mr. A. C. C. Parkinson (Colonial Office) to Lieutenant-Colonel J. C. Fowle (Political Resident) May 25th	States that Company have been requested to supply further particulars as indicated in No. 82 67
84 To Political Resident. Confidential ... ... May 25th	Transmits copies of Nos. 75, 78, 80, and 82 67
85 Political Resident. Confidential, No. 33 ... June 2nd (Rec. June 9th)	Transmits copy of letter from Major Holmes to Political Agent stating terms and conditions on which Shaikh is prepared to offer Company exclusive right to explore and search whole portion of the Shaikh's territory, including all islands and territorial waters remaining after excluding, and apart from, area already covered by Concession Agreement dated 2nd December, 1925 68
86 Political Resident. Telegram, No. 15 ... June 22nd (Rec. June 22nd)	States that Anglo-Persian Oil Company are desirous of coming to arrangement respecting areas not yet allocated, and concurs in Political Agents' suggestion for making official contact between Company and Bahrein Government 70
87 Colonial Office ... June	Note of observations on memorandum enclosed in No. 74 on form of Mining Lease, which forms Third Schedule to Agreement of 2nd December, 1925, between Shaikh of Bahrein and Eastern and General Syndicate 70
88 Mr. K. W. Blaxter (Colonial Office) to Mr. F. C. Starling (India Office), Mr. C. F. A. Warner (Foreign Office), Captain H. R. Moore (Admiralty), and Mr. J. G. Laithwaite (India Office) ... ... June 26th	Transmits copy of No. 87, and asks for views on amendments to Mining Lease which are desired ... 71
89 Political Resident. Telegram, No. 16 ... June 26th (Rec. June 26th)	States, with reference to No. 86, that Political Agent has received letter from Major Holmes elaborating fiction of Shaikh's "offer" and containing Company's "counter offer"; and suggests that letter be communicated to Bahrein Government simultaneously with Anglo-Persian Oil Company's letter. Political Agent further suggests that Bahrein Petroleum Company should be told of Anglo-Persian Oil Company's proposals in general terms as coming from "another oil interest" 72
90 Political Resident. Telegram, No. 17 ... June 27th (Rec. June 27th)	Requests, for reasons stated, an early reply to No. 89 72
91 To Political Resident. Telegram, No. 9 ... June 28th	States, in reply to Nos. 86, 89, and 90, reasons why Political Agent should suspend communication of Anglo-Persian Oil Company's offer to Bahrein Government; that there is no objection to communicating Major Holmes's letter of 15th June; but considers it desirable to clear up position regarding Shaikh's offer and to ascertain what view he took at the interview with Major Holmes. From His Majesty's Government's point of view, it would be more satisfactory if remainder of island is developed by Anglo-Persian Oil Company or 'Iraq Petroleum Company 73

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1933	
92 Political Resident. Telegram, No. 18 ... June 29th (Rec. June 29th)	States that No. 91 has been repeated to Political Agent, and that position between Major Holmes and Shaikh is made clear in No. 94 73
93 Political Resident. Telegram, No. 20 ... July 3rd (Rec. July 3rd)	States that Political Agent has been informed by Manager of Bahrein Petroleum Company that he has telegraphed for Major Holmes 74
94 Political Resident. Confidential, No. 36 ... June 12th (Rec. July 3rd)	Transmits, with comments, copy of letter from Political Agent regarding Major Holmes's action in matter of offer of Company and the merits of offer itself ... 74
95 Bahrein Petroleum Company ... ... July 4th	Transmits, in reply to No. 82, a report containing particulars asked for, with explanatory maps ... 79
96 Political Resident. Confidential, No. 38 ... June 15th (Rec. July 10th)	Points out, with reference to Nos 78 and 84, that increased payment of Rs. 30,000 will not become due until Company declares that oil has been found in commercially exploitable quantities, and that Company has (under Article X) a limit of five years in which to make such a declaration 79
97 Mr. C. F. A. Warner (Foreign Office) to Mr. K. W. Blaxter (Colonial Office) ... ... July 11th	Agrees with commentary enclosed in No. 88 and also agrees that general question can wait until situation as between Anglo-Persian Oil Company and Bahrein Petroleum Company and also that as regards new proposals of latter become a little clearer 79
98 Political Resident. Telegram ... ... July 18th (Rec. July 18th)	States that Major Holmes is expected to arrive at Bahrein on 20th July and to inquire as to activities of Anglo-Persian Oil Company; proposes that agent should reply that a definite offer has not yet been received 80
99 To Bahrein Petroleum Company ... ... July 19th	Acknowledges No. 95 80
100 To Petroleum Department July 19th	Transmits copy of No. 95 and requests observations thereon 80
101 To Political Resident. Telegram No. 12 ... July 20th	In reply to No. 94, considers Shaikh's repudiation of alleged negotiations should be communicated to Company in most categorical terms, and that they be informed that offer made by Major Holmes is inadequate but is for comparison with other offers. Inquires views as to inclusion of territorial waters in additional area 81
102 Acting Political Resident. Telegram, No. 26 ... July 23rd (Rec. July 23rd)	States that Major Holmes did not arrive in Bahrein on 20th July, and asks to be informed whether he is travelling by aeroplane, which left London 22nd July 81
103 To Acting Political Resident. Telegram, No. 14 July 24th	States, in reply to No. 102, that arrangements have been made for Major Holmes to travel by air 29th July 82
104 Acting Political Resident. Telegram, No. 27 ... July 23rd (Rec. July 23rd)	Suggests, in reply to No. 101, that communication of Shaikh's denial be made only in London to Company in view of continued absence of Chief Local Representative, but if he should arrive before 27th July, Political Agent has been instructed to hand him the communication. Concurs in proposed second letter, but would add under safeguards harbours and ports. Fears that, if 'Iraq Petroleum Company are not prepared to compete, additional area may lose its value in the eyes of Bahrein Petroleum Company. Thinks that territorial waters should be included, but it would be prudent to name islands 82

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1933	
105 Mr. J. G. Laithwaite (India Office) to Mr. S. I. James (Colonial Office) July 21st	In reply to No. 88, suggests a slight amendment ... 83
106 Political Resident. Confidential, No. 46 ... June 29th (Rec. July 25th)	Transmits copy of correspondence from Political Agent covering letters from Anglo-Persian Oil Company and Bahrein Petroleum Company referred to in Nos. 86 and 89 83
107 Acting Political Resident. Telegram, No. 28 ... July 25th (Rec. July 25th)	In reply to No. 103, suggests that, for reasons indicated, best course would be to communicate Shaikh's denials at once to Company in London. Considers that, from local point of view, it would be preferable for Major Holmes not to return to Bahrein at this juncture 87
108 To Acting Political Resident. Telegram, No. 15 July 27th	States, in reply to No. **107,** that it is proposed to make a communication to Company on the lines suggested in Nos. 101 and 104. Considers that specific reference might be made to territorial waters of Bahrein Island, Muharraq, Sitra, and Umm Naasan. Asks that Shaikh may be approached at once with a view to securing his authority for action on these lines ... 87
109 To Bahrein Petroleum Company ... ... July 28th	With reference to No. 99, transmits copy of enclosure in No. 85, with comments 87
7. Chief Local Representative of the Bahrein Petroleum Company.	
1932	
110 Lieutenant-Colonel H. V. Biscoe (Political Resident) to Mr. A. C. C. Parkinson (Colonial Office) ... July 1st (Rec. July 13th)	Comments upon short time spent by Major Holmes in Bahrein, and considers that Bahrein Petroleum Company are not fulfilling condition "C" of the Schedule to Agreement 88
111 Mr. J. E. W. Flood (Colonial Office) to Mr. H. R. Ballantyne (Bahrein Petroleum Company) August 15th	Transmits copy of certain correspondence with Eastern and General Syndicate regarding minimum period of Major Holmes's residence each year at Bahrein ... 89
112 Mr. H. R. Ballantyne... (Bahrein Petroleum Company) to Mr. A. C. C. Parkinson (Colonial Office) February 3rd	Considers that Company has fulfilled to the utmost its obligations under Condition "C" 90
113 Mr. A. C. C. Parkinson (Colonial Office) to Lieutenant-Colonel J. C. Fowle (Political Resident) ... February 18th	With reference to No. 110, transmits copy of No. 112 and comments thereon. Inquires whether Company's contention is correct or whether there have been times when communication with Company has been impeded owing to Major Holmes's absence 90
114 Lieutenant-Colonel T. C. Fowle (Political Resident) to Mr. A. C. C. Parkinson (Colonial Office). Confidential ... March 21st (Rec. April 1st)	States, in reply to No. 113, that as far as is known Major Holmes's absence has at no time impeded communications with Company, and comments on No. 112 91
115 Colonial Office ... April 26th	Extract from record of meeting at which questions of Major Holmes's residence, the nationality of the Company's employees, and amendments to Third Schedule (Mining Lease) of the 1925 Concession were discussed 92

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1932	
116 Mr. J. G. Laithwaite (India Office) to Mr. K. W. Blaxter (Colonial Office) ... ... May 1st	Transmits copy of letter from Colonel G. Loch to Lieut.-Col. T. C. Fowle commenting on Major Holmes's procedure in communicating direct with Bahrein Government on subject of the agreement between Bahrein and the Bahrein Petroleum Company ... 94
117 Colonial Office ... May 3rd	Extract from record of meeting at which it was stated that Major Holmes would probably retire if he were required to reside in Bahrein for, say, ten months every year, and that it was understood from oral discussions with Company's representatives that they preferred not to lay down a fixed period of residence for their local representative 95
118 Mr. K. W. Blaxter (Colonial Office) to Mr. G. W. Rendel (Foreign Office), Mr. J. C. Walton (India Office), Mr. F. C. Starling (Petroleum Department), and Captain H. R. Moore (Admiralty) May 20th	States that case against Major Holmes is not a very strong one, and inquires if matter might be allowed to rest until questions of extension of prospecting licence and amendment of Mining Lease have been settled 95
119 Colonial Office	Note on Major Holmes's period of residence 96
120 Colonial Office	Note on negotiations leading to insertion of Conditions "C" and "D" in schedule to the Agreement signed on 12th June, 1930 97
121 Mr. G. W. Rendel (Foreign Office) to Mr. K. W. Blaxter (Colonial Office) ... ... June 7th	In reply to No. 118, is inclined to think that unsatisfactory state of oil questions from His Majesty's Government's point of view is due in large measure to Major Holmes's activities. Suggests various lines of action for consideration, and states that idea of merely accepting present situation is disliked ... 99
122 Mr. F. C. Starling (Petroleum Department) to Mr. K. W. Blaxter (Colonial Office) ... ... June 16th	With view to securing removal of Major Holmes on curtailment of his activities, considers that some intimation of His Majesty's Government's displeasure should be communicated to Bahrein Company. In any event his residence in Bahrein under terms of Agreement should be insisted upon 100
123 Captain H. R. Moore (Admiralty) to Mr. K. W. Blaxter (Colonial Office) June 19th	Agrees to the measures suggested in Nos. 121 and 122, provided that they could be taken without harm to negotiations with Company for inclusion of safeguards in Mining Lease 101
124 Mr. J. G. Laithwaite (India Office) to Mr. K. W. Blaxter (Colonial Office) ... ... June 23rd	Suggests, with reference to views expressed in Nos. 121, 122, and 123, that matter should be discussed in rather greater detail by the four Departments concerned 101
125 Colonial Office	Note setting out in detail grounds of complaint against Major Holmes 102
126 To Treasury Solicitor July 31st	With reference to Nos. 78 and 80, transmits copies of Nos. 33, 112, and 125, and asks advice on four points connected with residence in Bahrein of Company's Chief Local Representative 103
KUWAIT.	
Applications of the Eastern and General Syndicate, Limited, and the Anglo-Persian Oil Company for an Oil Concession.	
1932	
127 Anglo-Persian Oil Company January 28th	States that geological reconnaissance of Kuwait will be inconclusive unless examination of Hasa territory is made, and asks that Ibn Saud may be asked to afford necessary facilities 105

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128	To Foreign Office	February 4th	Transmits copy of No. 127. Considers that necessary overtures to Ibn Saud should be made through His Majesty's Minister at Jedda and not through His Majesty's Representative in Persian Gulf 105
129	India Office ...	February 5th	Transmits, with observations, copy of telegram to Government of India stating that American Embassy are pressing right of United States interests to participate in concessions in Kuwait on an equality with British interests, and appear to have been convinced by the Eastern and General Syndicate that the Shaikh is willing to grant Syndicate concession for transfer to American interests if British Government will agree to omission of British control clause. Comments and requests views thereon 106
130	India Office ...	February 8th	Transmits copy of telegram from Political Resident commenting on enclosure in No. 129, and suggests that Political Resident should inform the Shaikh that His Majesty's Government would be glad to know whether or not he is prepared to grant concessions to companies controlled by foreign interests 107
131	Foreign Office ...	February 11th	Transmits, with reference to No. 128, copies of a telegram to His Majesty's Chargé d'Affaires, Jedda, and of a letter to the Anglo-Persian Oil Company ... 108
132	Foreign Office ...	February 15th	Transmits copy of a telegram from His Majesty's Chargé d'Affaires, Jedda, stating that an oral application has been made 109
133	Foreign Office ...	February 18th	Transmits, with reference to No. 132, a further telegram from His Majesty's Chargé d'Affaires, Jedda, stating that Ibn Saud will not authorize reconnaissance in neutral zone without previous agreement between himself and Shaikh of Kuwait, nor in Hasa without previous establishment of conditions between himself or his representative and representatives of Company; gathers that he would be ready to discuss also terms of oil concessions in Hasa, but Fuad can give no indication as to place or time of meeting ... 109
134	Foreign Office ...	February 25th	Transmits copy of a letter to the Anglo-Persian Oil Company conveying gist of the enclosure in No. 133 110
135	India Office ...	February 27th	Transmits, with reference to No. 129, copy of a telegram from Government of India and states reasons why omission of the British control clause is agreed to. Considers it might be a mistake of tactics to attempt to raise nationality bar question over Kuwait Agreement. Suggests it might be represented to the American Ambassador that chief concern is not so much with questions of nationality, as to secure the best terms for Shaikh of Kuwait and other Arab rulers of the Gulf 111
136	Foreign Office ...	April 1st	Transmits copy of a letter to His Majesty's Representative, Washington, enclosing copy of note from United States Embassy regarding their interest in Kuwait Oil Concession 112
137	Foreign Office ...	April 13th	Transmits copy of communication to United States Chargé d'Affaires expressing views with regard to the "Nationality clause," agreeing so far as His Majesty's Government are concerned to its omission from concession, and stating that Eastern and General Syndicate application will receive consideration with others 114

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138	India Office	May 1st	Transmits copy of despatch from Government of India enclosing extracts from a note by Dr. Fermor, Director of Geological Survey of India, containing detailed examination of draft agreement presented by Major Holmes to the Shaikh of Kuwait 115
139	Anglo-Persian Oil Company ...	May 3rd	Reports on progress made and states that geologists have been withdrawn, and wishes to place on record that Company is prepared at convenient juncture to open formal negotiations with Shaikh 119
140	To Acting Political Resident. Telegram, No. 3 Confidential ...	May 9th	States that it should be explained to the Shaikh that as regards the application of the Eastern and General Syndicate His Majesty's Government do not insist upon confining the concession to a purely British concern, and that he is at liberty to dispense with this condition or not as he feels best. Specifies safeguards on which His Majesty's Government will insist ... 120
141	To Eastern and General Syndicate, Limited	May 10th	States that application has received the careful consideration of His Majesty's Government and comments thereon; also states that, if Eastern and General Syndicate desire to renew their application to the Shaikh, no objection will be raised to it being taken into consideration with any other applications which may be forthcoming from other quarters ... 120
142	Political Resident. Confidential, No. 17 ...	May 10th (Rec. May 30th)	Forwards copy of a letter received from Political Agent reporting on discussions Major Holmes has had with him and the Shaikh 121
143	Eastern and General Syndicate	June 10th	With reference to No. 141, states that Major Holmes has renewed application for an oil concession. Inquires whether conditions contained in Clause 8 are considered satisfactory from point of view of safeguarding interests of His Majesty's Government ... 124
144	Political Resident. Confidential, No. 20 ...	June 7th (Rec. June 15th)	Transmits copy of a draft concession submitted to the Shaikh by Major Holmes on behalf of Eastern and General Syndicate 125
145	To Eastern and General Syndicate, Limited	June 17th	States, in reply to No. 143, that draft concession will be considered in consultation with other interested Departments of His Majesty's Government when a communication has been received from the Political Resident 130
146	Lieutenant-Colonel H. V. Biscoe (Political Resident) to Mr. A. C. C. Parkinson (Colonial Office). Confidential ...	May 26th (Rec. June 20th)	Transmits copy of a letter from Sir A. Wilson to Lieut.-Col. H. R. P. Dickson in which Anglo-Persian Oil Company offer to pay Shaikh £2,000 in return for an exclusive option to prospect and survey Kuwait territory for the next two years, but states that it is improbable that offer would be accepted ... 131
147	Lieutenant-Colonel H. V. Biscoe (Political Resident) to Mr. A. C. C. Parkinson (Colonial Office). Confidential ...	May 31st (Rec. June 20th)	Conveys the gist of a conversation with Mr. Chisholm, Anglo-Persian Oil Company 133
148	Political Resident, No. 21	June 10th (Rec. June 21st)	Comments on draft concession enclosed in No. 144 and agrees with suggestion of Director of the Geological Survey of India that His Majesty's Government should object to Major Holmes being Chief Local Representative in Kuwait as well as Bahrein, and suggests, in view of opinion expressed by him, that an entirely fresh concession should be drafted ... 13

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149	Lieutenant-Colonel H. V. Biscoe (Political Resident) to Mr. A. C. C. Parkinson (Colonial Office). Confidential ... June 28th (Rec. July 7th)	Transmits, with reference to No. 147, copy of a letter from Mr. N. A. Gass, Anglo-Persian Oil Company, reporting on the results of two interviews with the Shaikh and stating that Sir John Cadman has given instructions for a comprehensive concession to be prepared and submitted to the Shaikh. Suggests that concession might be " vetted " in London	134
150	To Petroleum Department July 12th	Transmits copy of No. 148 and asks if arrangements can be made for the preparation of a revised draft...	136
151	Mr. K. W. Blaxter (Colonial Office) to Mr. F. C. Starling (Petroleum Department) ... July 15th	Transmits copies of Nos. 146, 147, and 148, and commends suggestion that proposed Anglo-Persian Oil Company's concession should be " vetted " in London before transmission to Kuwait	137
152	Mr. J. E. W. Flood (Colonial Office) to Mr. C. F. A. Warner (Foreign Office) ... ... August 3rd	States that Petroleum Department do not consider it advisable to attempt to prepare a revised draft in London, and suggests that a departmental meeting be held to consider what procedure should be adopted	137
153	Admiralty ... ... August 4th	States reasons why it is considered undesirable that Petroleum Department should prepare a counterdraft for discussion with Eastern and General Syndicate in London	138
154	Colonial Office ... August 5th	Note of a meeting to discuss procedure to be adopted in connexion with applications of Eastern and General Syndicate, Limited, and Anglo-Persian Oil Company	139
155	Political Resident. Confidential ... August 16th (Rec. August 23rd)	Transmits copy of a letter from Deputy-General Manager, Anglo-Persian Oil Company, Abadan, enclosing copy of draft concession which Company propose to submit to the Shaikh. Suggests that draft should be discussed with Anglo-Persian Oil Company in London	141
156	To Eastern and General Syndicate, Limited August 24th	States that draft concession is being examined, but a decision will be deferred until the Shaikh has had an opportunity of considering proposals of the Anglo-Persian Oil Company and comparing them with those made by the Syndicate	144
157	To Political Resident. Confidential ... August 24th	In reply to No. 148, states circumstances which make it appear inadvisable to prepare a new draft concession and that steps are being taken to compile a statement containing observations of His Majesty's Government on latest draft concession submitted by Eastern and General Syndicate. Transmits copies of Nos 143, 145, and 156	144
158	Mr. A. C. Hearn (Anglo-Persian Oil Company) to Mr. J. E. W. Flood (Colonial Office) August 29th	Asks for an interview to discuss question of draft agreement	145
159	Mr. J. E. W. Flood (Colonial Office) to Mr. A. C. Hearn (Anglo-Persian Oil Company) August 30th	States, in reply to No. 158, that nothing useful can be said until comments of Resident have been received and whole matter has been considered by various Departments interested	145
160	Political Resident. Confidential, No. 36 August 25th (Rec. September 1st)	Transmits, with reference to No. 155, revised copy of proposed draft agreement, and comments thereon ...	146

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161	To Foreign Office, India Office, Admiralty, and Petroleum Department September 5th	Transmits copy of No. 155	151
162	To Foreign Office, India Office, Admiralty, and Petroleum Department September 13th	Transmits copy of No. 160	151
163	Colonial Office September 15th	Extract from notes of a meeting at which correspondence in connexion with suggested application of Eastern and General Syndicate for a petroleum concession in 'Qat'r was considered	152
164	Colonial Office September 15th	Extract from notes of a meeting at which draft concession as submitted by Anglo-Persian Oil Company, &c., was discussed	153
165	United States Chargé d'Affaires to Foreign Office September 6th (Copy rec. in Colonial Office September 16th)	Urges that appropriate steps be taken in order to place American interests represented by Eastern and General Syndicate in as favourable position as Anglo-Persian Oil Company in having its application considered by the Shaikh...	154
166	Foreign Office to the United States Chargé d'Affaires ... September 16th (Copy rec. in Colonial Office September 20th)	States in reply to No. 165, that application of Eastern and General Syndicate is receiving consideration equally and *pari passu* with that of the Anglo-Persian Oil Company, and that question of provisions designed to safeguard interests of His Majesty's Government does not arise until the Shaikh has compared the two draft concessions in the light of comments of His Majesty's Government	155
167	Eastern and General Syndicate, Limited September 30th	Requests, with reference to Nos. 143 and 156, that matter should be expedited and asks to be informed when it is anticipated that comments will be sent...	156
168	To Political Resident. Confidential September 30th	Transmits copies of Nos. 166 and 167, and states that it is not considered advisable to discuss terms of concessions with either of the applicants in London or in Kuwait and suggests that the Shaikh should be advised in same sense	156
169	India Office ... October 3rd	In reply to No. 162, forwards a note containing criticisms and suggestions on draft concession ...	157
170	To Eastern and General Syndicate, Limited October 14th	In reply to No. 167, states that, before any decision can be reached, results of examination must be submitted to the Shaikh	159
171	Admiralty. Confidential October 15th	In reply to No. 162, specifies " safeguards " which it is considered should be included in any concession granted to Anglo-Persian Oil Company	159
172	Foreign Office to Petroleum Department November 3rd (Copy rec. in Colonial Office November 4th)	Transmits copy of a memorandum by United States Ambassador. For reasons stated, trusts that Petroleum Department will soon complete examination of two draft concessions	159
173	Petroleum Department to Foreign Office ... November 5th (Copy rec. in Colonial Office November 8th)	In reply to No. 172, gives a brief summary of events from 1917 to 1931 regarding applications of Anglo-Persian Oil Company and Eastern and General Syndicate for oil concessions	162
174	Petroleum Department November 9th	Transmits copy of memorandum comparing draft concessions and suggested provisions for measuring crude oil won	164

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175 To Political Resident. Confidential November 10th	Transmits copy of enclosure in No. 174... 171
176 To the Secretary to the Political Resident November 11th	With reference to No. 175, requests that a small amendment be made to the enclosure in No. 174 171
177 India Office ... November 12th	With reference to No. 174, suggests that Political Resident be informed that His Majesty's Government trust that he and Political Agent, Kuwait, will be able to persuade the Shaikh to reach a decision as between rival companies and that he will appreciate that it is most important, in case the Shaikh should decide in favour of the Anglo-Persian Oil Company, that His Majesty's Government should be able to avoid any suggestion of pressure or that decision is not his own 171
178 Admiralty to Foreign Office. Confidential November 12th (Copy rec. in Colonial Office November 14th)	Suggests that an interdepartmental meeting be held to frame terms of directions to be sent to Political Resident in connexion with memorandum proposed enclosed in No. 174 172
179 Foreign Office November 15th	Agrees with views expressed in No. 177 and suggests, with reference to No. 178, that such a meeting may prove to be unnecessary, and that telegraphic instructions in sense proposed by India Office could be addressed to the Political Resident 173
180 Admiralty. Confidential November 18th	Comments on Nos. 177 and 179 and considers that instructions to be sent to Political Resident should point out that it is of utmost importance that the Shaikh should give his decision in favour of the Anglo-Persian Oil Company. Suggests that whole matter should now be considered by Middle East Official Sub-Committee of the Committee of Imperial Defence 173
181 Sir R. Vansittart (Foreign Office) to the Honourable A. W. Mellon (United States Ambassador) November 11th (Copy rec. in Colonial Office November 26th)	States that result of the comparative examination of draft concessions is on its way to British authorities in Persian Gulf 174
182 Sir R. Vansittart (Foreign Office) to the Honourable A. W. Mellon (United States Ambassador) November 23rd (Copy rec. in Colonial Office November 26th)	With reference to Nos. 165, 166, and 181, gives further information regarding applications of Anglo-Persian Oil Company and Eastern and General Syndicate ... 174
183 To Committee of Imperial Defence. Secret November 29th	Transmits copies of Nos. 154, 156, 157, 163, 166, 174, 175, 177, 179, and 180, and requests that a meeting of the Standing Official Sub-Committee on Middle East Affairs may be called 176
184 To Foreign Office, India Office, and Petroleum Department ... December 10th	Transmits for consideration copies of telegrams which it is proposed to send to Political Resident regarding procedure to be adopted in placing before the Shaikh the memorandum comparing draft concessions ... 176
185 To Air Ministry, War Office, Treasury December 10th	Transmits for consideration copies of drafts of telegrams referred to in No. 184 177

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186 To Admiralty ... December 10th	Transmits for consideration copies of drafts of telegrams referred to in No. 184 177
187 Treasury. Secret December 12th	Concurs in the terms of telegrams enclosed in No. 185... 178
188 War Office ... December 13th	In reply to No. 185, concurs in terms of draft telegrams and states that Council wish to associate themselves most fully with paragraph 3 of No. 180, and requests that Resident should be apprised of their views 178
189 Petroleum Department December 13th	In reply to No. 184 concurs in draft telegrams subject to amendments suggested 179
190 Foreign Office ... December 14th	Conveys approval of draft telegrams subject to suggested amendments 179
191 India Office ... December 14th	Concurs in draft telegrams 180
192 Air Ministry ... December 14th	In reply to No. 185, considers that some reference should be made in private and personal telegram that Air Ministry hold views similar to those expressed in No. 180, but have no further comments to raise on either of draft telegrams 180
193 Mr. J. G. Laithwaite (India Office) to Mr. J. E. W. Flood (Colonial Office) ... December 15th	For reasons given, suggests that private telegram to Political Resident might remain in its present form without reference to specific items of correspondence 180
194 Mr. C. F. A. Warner (Foreign Office) to Colonel K. D. B. Murray (War Office) ... December 16th (Copy rec. in Colonial Office December 17th)	With reference to No. 188, expresses hope that War Office will see their way to agree to proposal in No. 193, that draft private and personal telegram should go as it stands, and that no specific reference should be made to one particular point in interdepartmental correspondence 181
195 Colonel K. D. B. Murray (War Office) to Mr. C. F. A. Warner (Foreign Office) December 19th (Copy rec. in Colonial Office December 20th	In reply to No. 194, states that proposal in No. 193 is agreed to 181
196 Admiralty. Confidential December 21st	In reply to No. 186, states that draft telegrams are concurred in, and comments thereon. With reference to private and personal telegram, considers that reference should be made to No. 180 and that Resident should be informed that views expressed in it are shared by Service Departments 182
197 To Admiralty. Confidential December 21st	Acknowledges No. 196 and states that copies of Nos. 180, 188, and 192 have already been despatched to Political Resident, and hopes that the despatch of the private and personal telegram as drafted will be agreed to 182
198 To Political Resident. Telegram, No. 22 December 22nd	States, with reference to No. 175, that memorandum proposed by Petroleum Department may be communicated to the Shaikh subject to certain deletions 183
199 To Political Resident. Telegram, Private and Personal ... December 22nd	With reference to No. 198, considers that Colonel Dickson should have all relevant facts in his possession before any discussion with the Shaikh, and suggests that he should visit Bushire immediately in order to discuss all the correspondence 184

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200 To Political Resident Telegram, Private and Personal ... December 23rd	With reference to No. 201, inquires when Colonel Dickson is expected to reach Bushire 184
201 Admiralty. Confidential December 23rd	In reply to No. 197, concurs in telegram being despatched as drafted 184
202 Political Resident. Telegram. Private and Personal ... December 24th (Rec. December 24th)	In reply to Nos. 198, 199, and 200, states that Colonel Dickson has received copies of all interdepartmental correspondence and that earliest date he could reach Bushire would be 1st January, which would involve his absence from Kuwait during Naval Commander-in-Chief's visit. Suggests action and requests approval 185
203 To India Office, Foreign Office. Confidential December 27th	Transmits copies of Nos. 200 and 202 and transmits for approval copy of a draft of a private and personal telegram 185
204 India Office ... December 29th	Concurs in draft private and personal telegram enclosed in No. 203 subject to addition indicated ... 186
205 Foreign Office ... December 29th	Concurs generally in terms of draft telegram enclosed in No. 203, but states that it is considered that Lieut.-Col. Fowle should be instructed that proposed communication should not be made to representatives of Anglo-Persian Oil Company and Eastern and General Syndicate until the Shaikh has had time to consider his decision fully and to discuss matter with Lieut.-Col. Fowle 187
206 To Political Resident. Telegram, Private and Personal ... December 30th	States that course of action suggested in No. 202 is fully approved, but further correspondence should be awaited before discussions with the Shaikh are opened 187
207 Sir L. Oliphant (Foreign Office) to Mr. R. Atherton (United States Embassy) December 23rd (Copy rec. in Colonial Office December 31st	With reference to No. 181, fears that suggestion that document embodying result of examination of draft concessions would be communicated to the Shaikh early for his consideration was impracticable, but that matter is being expedited 187
1933	
208 Political Resident. Confidential, No. 50 December 17th (Rec. January 9th)	Transmits copy of letter from General Manager, Anglo-Persian Oil Company, Abadan, enclosing copy of a revised draft agreement 188
209 Mr. J. G. Laithwaite (India Office) to Mr. S. I. James (Colonial Office) January 12th	States, with reference to No. 206, that papers reached Kuwait on 11th January 191
210 Foreign Office ... January 14th	Transmits copy of correspondence with Sir John Cadman regarding negotiations with Mellon Oil Group 192
211 Political Resident. Telegram ... ... January 14th (Rec. January 14th)	States that local representative of Anglo-Persian Oil Company has been informed that the Shaikh has been presented with comments of His Majesty's Government on draft concessions and that he can begin negotiations with the Shaikh. Suggests that, as Major Holmes is in London, the Syndicate Principal should be informed of the above 193

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212 Political Resident. Confidential, No. 52 December 27th (Rec. January 17th)	Transmits copy of letter from General Manager, Anglo-Persian Oil Company, Abandan, stating that certain points are not included in revised draft Agreement which they will be prepared to concede, in whole or in part, in course of negotiations, and inquires if it is desired to submit these points to His Majesty's Government. Suggests that Company may be informed that they can initiate and conduct negotiations without further reference as soon as Political Agent has informed their representative that the Shaikh has received comments of His Majesty's Government and requests telegraphic approval ... 193
213 To Eastern and General Syndicate ... January 17th	States that the Shaikh has now been presented with comments of His Majesty's Government on proposals of Syndicate and those of Anglo-Persian Oil Company 194
214 To Foreign Office, India Office, Admiralty, and Petroleum Department January 21st	Transmits copy of No. 212 and inquires if any objection is seen to approval of His Majesty's Government being conveyed to Resident as requested in paragraph 4 194
215 Mr. A. C. C. Parkinson (Colonial Office) to Lieutenant-Colonel T. C. Fowle (Political Resident) January 23rd	Transmits copy of No. 210 195
216 Political Resident. Confidential, No. 54 December 31st (Rec. January 23rd)	Transmits copy of a telegram from Political Agent, Kuwait, on subject of movements of Major Holmes, and stating that at Kuwait he delivered an official message from his Company inviting the Shaikh to London as their guest during coming summer ... 195
217 Mr. K. W. Blaxter (Colonial Office) to Mr. C. F. A. Warner (Foreign Office), Mr. J. G. Laithwaite (India Office), Commander J. W. Rivett-Carnoc (Admiralty), Mr. H. P. W. Giffard (Petroleum Department) January 28th	States, with reference to No. 214, that it is felt that things may not be going quite according to plan and encloses draft of a telegram which it is proposed to send to the Resident inquiring whether Shaikh is likely to make his choice between respective applicants in the near future 196
218 Admiralty to Foreign Office. Confidential January 27th (Copy rec. in Colonial Office January 28th)	Sets out policy of Admiralty with regard to air supplies and foreign penetration in Persian Gulf and the steps necessary to safeguard British strategic interests there in connexion with these air concessions... ... 196
219 Mr. F. C. Starling (Petroleum Department) to Mr. K. W. Blaxter (Colonial Office) ... ... January 30th	In reply to No. 217, suggests addition of a paragraph to draft telegram emphasizing necessity of encouraging the Shaikh to reach an early decision 197
220 India Office ... January 30th	In reply to No. 214, states that it is considered that question of detailed terms of concession should be considered only after Shaikh has decided as between competing companies, who should be warned that drafts will need amendment in various particulars ... 198
221 Mr. K. W. Blaxter (Colonial Office) to Mr. C. F. A. Warner (Foreign Office), Commander J. W. Rivett-Carnoc (Admiralty), Mr. H. P. W. Giffard (Petroleum Department) ... February 1st	Transmits, for concurrence, with reference to Nos. 217 and 220, draft of a more comprehensive telegram to Resident 198

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222	Mr. K. W. Blaxter (Colonial Office) to Mr. J. G. Laithwaite (India Office) ... ... February 1st	Transmits, for concurrence, with reference to Nos. 217 and 220, a draft of a more comprehensive telegram to the Resident 199
223	Mr. J. G. Laithwaite (India Office) to Mr. C. F. A. Warner (Foreign Office). Confidential January 19th (Copy rec. in Colonial Office February 1st)	States, with reference to No. 210, that it is not quite clear as to precise nature of arrangement which Sir John Cadman has in view, and asks for further information 200
224	Mr. J. G. Laithwaite (India Office) to Mr. K. W. Blaxter (Colonial Office) ... ... February 2nd	States, in reply to No. 222, that opening part of draft telegram is not concurred in, and submits a redraft 200
225	Mr. C. F. A. Warner (Foreign Office) to Mr. K. W. Blaxter (Colonial Office) ... ... February 3rd	Submits, with reference to Nos. 221 and 224, redraft of telegram, and comments thereon 201
226	Mr. F. C. Starling (Petroleum Department) to Mr. K. W. Blaxter (Colonial Office) ... ... February 4th	Concurs in enclosure in No 221 and in revised draft in No. 225, but suggests further revision ... 202
227	To Acting Resident. Telegram, No. 2 ... February 4th	For reasons stated, asks that if no objection is seen the Shaikh may be asked to avoid discussion of details until he has decided between respective applicants who should be informed that after decision has been taken amendment of draft agreement may be required in any point recommended by His Majesty's Government 202
228	Acting Resident. Telegram ... ... February 6th (Rec. February 6th)	States, in reply to No. 227, that necessary action has either already been taken or is being taken through Political Agent, Kuwait 203
229	Mr. K. W. Blaxter (Colonial Office) to Mr. F. C. Starling (Petroleum Department) February 8th	States reasons why addition suggested in No. 226 was not included in telegram to the Resident 203
230	Mr. F. C. Starling (Petroleum Department) to Mr. K. W. Blaxter (Colonial Office) ... ... February 9th	Acknowledges No. 229 204
231	Political Agent, Kuwait. Telegram ... February 11th (Rec. February 11th)	States that no indication is shown by the Shaikh of making a decision nor, according to him, is he likely to do so for several weeks, but he made it clear that any attempt to hurry him would be resented. Considers there are signs that he is moving in direction of Eastern and General Syndicate 204
232	Political Resident. Confidential ... January 20th (Rec. February 13th)	Transmits, with reference to No. 227, copy of a letter from Anglo-Persian Oil Company stating that they have been authorized to increase several payments which will appear in revised draft concession... ... 204
233	Political Resident. Confidential ... February 6th (Rec. February 14th)	With reference to No. 227, states reasons why it is impossible for the Shaikh to make a quick decision on the first proposals submitted to him by companies. Transmits copy of a letter to Political Agent asking him to point out to the Shaikh that should companies approach him on points which are likely to lead to such questions as telegraphs, railways, &c., he should avoid discussing such details until he has decided to which of the companies he is going to grant concession 206

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234	Political Resident. Confidential ... January 31st (Rec. February 21st)	With reference to No. 211, transmits copy of a letter from Anglo-Persian Oil Company stating that on 19th January they presented their revised draft concession to the Shaikh 207
235	Mr. C. F. A. Warner (Foreign Office) to Mr. F. C. Starling (Petroleum Department). Confidential ... February 18th (Copy rec. in Colonial Office February 21st)	With reference to Nos. 218 and 223, transmits copy of correspondence with Mr. G. W. Rendel regarding possibility of a 50-50 agreement between Anglo-Persian Oil Company and Mellon Group 208
236	Political Resident. Confidential, No. 10 February 2nd (Rec. February 27th)	Fears that, if the Shaikh decides in favour of Eastern and General Syndicate, his decision will largely have been influenced by his feeling that His Majesty's Government have not sufficiently implemented their undertakings to him in respect of his property in 'Iraq and the trade blockade of Kuwait by the Saudi Government 210
237	Mr. A. C. C. Parkinson (Colonial Office) to Lieutenant-Colonel T. C. Fowle (Political Resident). Confidential March 2nd	Conveys gist of conversation during which Sir S. Wilson informed Sir John Cadman that H.M. Government could not undertake to influence the Shaikh ... 210
238	To Mr. C. F. A. Warner (Foreign Office), Mr. J. G. Laithwaite (India Office), Captain H. R. Moore (Admiralty), Mr. F. C. Starling (Petroleum Department). Confidential ... ... March 2nd	Conveys gist of No. 237 211
239	Political Resident. Secret February 16th (Rec. March 13th)	Transmits copy of a letter from the Political Agent reporting on a conversation with Shaikh Abdullah as-Salim 211
240	Political Resident. Confidential ... February 21st (Rec. March 13th)	Transmits, with reference to No. 231, copy of a note to the Shaikh in which it is stated that local representative of the Anglo-Persian Oil Company has been informed that he can now proceed with direct negotiations and that it has been suggested to H.M. Government that Eastern and General Syndicate should be informed in a similar sense. Also transmits copy of correspondence between Political Agent and the Shaikh 213
241	To Acting Resident. Telegram, Private and Personal March 14th	States, in reply to No. 236, that Anglo-Persian Oil Company have also strongly urged desirability in their interests of meeting the Shaikh immediately over the date gardens and blockade, but that for reasons stated the Company are accordingly being informed that removal of political obstacles cannot be looked for in near future. Gives reasons why there is now no objection to the Shaikh postponing final decision for some time longer and continuing process of bargaining with both parties 215
242	Sir Samuel Wilson (Colonial Office) to Mr. A. C. Hearn (Anglo-Persian Oil Company) March 15th	States that the Shaikh is not likely to be much moved by political difficulties if Anglo-Persian Oil Company make a better offer than the Eastern and General Syndicate 216

Serial No., From or to Whom, Despatch No., &c., and Date.			Subject and Page No.
		1933 —	
243	Mr. A. C. C. Parkinson (Colonial Office) to Lieutenant-Colonel T. C. Fowle (Political Resident. Confidential	March 16th	Transmits, with reference to Nos. 237 and 241, copy of No. 242 216
244	Mr. A. C. Hearn (Anglo-Persian Oil Company) to Sir Samuel Wilson (Colonial Office) ...	March 17th	Acknowledges No. 242 216
245	Political Resident. Telegram. No. 5 ... (Rec. March 28th)	March 28th	Transmits message from Political Agent stating that Sir John Cadman offered the Shaikh exceptionally generous financial terms to induce him to grant a concession immediately to the Anglo-Persian Oil Company, but the Shaikh stated that he must consult Major Holmes 217
246	Political Resident. Telegram, No. 6 ... (Rec. March 29th)	March 29th	States that Political Agent has been informed that at the request of the Shaikh Major Holmes has prepared two fresh draft concessions, one to cover area 1,200 square miles to be reserved for British interests, the other, 400 square miles, to be reserved for American interests 217
247	Mr. K. W. Blaxter (Colonial Office) to Lieutenant-Colonel T. C. Fowle (Political Resident)	March 29th	Transmits copy of No. 244 217
248	Political Resident. Confidential ... (Rec. April 10th)	March 16th	Transmits copy of a letter from Political Agent enclosing translation of a letter, together with two Mulhaqs, which the Shaikh has received from the King of Sa'udiyah. 218
249	Lieutenant-Colonel T. C. Fowle (Political Resident) to Mr. A. C. C. Parkinson (Colonial Office). Confidential ... ... (Rec. April 10th)	March 17th	Reports, with reference to Nos. 216, 240, 241, and 248, on the situation generally and states that Political Agent has been asked to explain to the Shaikh *verbally* that if he visits England as the guest of the Eastern and General Syndicate there may be difficulties about treating his visit as official... 220
250	India Office ...	April 18th	Transmits copy of a telegram from Government of India stating that terms of draft letter which Resident proposes to address to the Shaikh are concerned in ... 221
251	Political Resident. Confidential ... ... (Rec. April 18th)	March 27th	Transmits copy of letter from Political Agent enclosing copy of correspondence with Major Holmes regarding the new "twin" draft oil agreements ... 222
252	Mr. J. G. Laithwaite (India Office) to Mr. F. C. Starling (Petroleum Department) (Copy rec. in Colonial Office	April 18th April 20th)	Transmits copy of note regarding points discussed with the Shaikh by Political Resident and Political Agent 224
253	Acting Resident. Telegram, No. 8 ... (Rec. April 24th)	April 24th	States that Major Holmes has returned to Kuwait from Cairo 225
254	India Office ...	April 26th	Transmits, with reference to No. 250, copy of correspondence received from Political Resident regarding proposed visit of the Shaikh to England... .. 225

Serial No., From or to Whom, Despatch No., &c., and Date.			Subject and Page No.
		1933 —	
255	To Acting Resident. Telegram, No. 3 ...	April 26th	Requests, in reply to No. 253, that Political Agent be instructed to ascertain what Major Holmes's reaction is to Anglo-Persian Oil Company's offer and the present attitude of the Shaikh 228
256	Colonial Office ...	April 26th	Extract from a final record of a meeting at which were discussed the question of the Oil Concession, the possible influence on the Shaikh's attitude of the blockade and date gardens questions, and the draft letter which the Political Resident had proposed to send to the Shaikh regarding his visit to England as the guest of the Eastern and General Syndicate ... 228
257	Political Agent. Telegram ... ... (Rec. April 30th)	April 30th	In reply to No. 255, states that the Shaikh has consulted Major Holmes regarding Anglo-Persian Oil Company's offer and that the latter immediately made a higher offer on condition that he be allowed to submit new draft concession under which northern half of Kuwait should go to British and southern half to American interests. Further states that the Shaikh is inquiring from the Anglo-Persian Oil Company if they would better Major Holmes's offer 230
258	India Office	May 1st	Transmits copy of a telegram from the Secretary of State for India to Political Resident stating that, subject to amendments suggested, His Majesty's Government agree to despatch of draft letter to Shaikh 231
259	Colonial Office ...	May 3rd	Extract from a final record of a meeting at which the latest offers of the Anglo-Persian Oil Company and the Eastern and General Syndicate and the probability of the question of a concession in the neutral zone were discussed 232
260	To Acting Resident. Telegram, No. 4 ...	May 4th	Asks, with reference to No. 257, that the Political Agent may be instructed to endeavour to obtain a copy of the new "twin" concession 233
261	India Office	May 16th	Transmits copy of a telegram from Political Resident to the Secretary of State for India stating that the Shaikh has decided to suspend negotiations for the time being 233
262	Political Resident. Confidential ... ... (Rec. May 22nd)	May 2nd	Transmits copy of a despatch from Political Agent reporting on situation generally 234
263	Foreign Office ...	May 25th	Transmits copy of correspondence received from His Majesty's Representative, Jedda, regarding alleged meeting between Ibn Saud and the Shaikh 238
264	Political Resident. Confidential ... ... (Rec. May 29th)	May 9th	Transmits, with reference to Nos. 255 and 257, copy of a letter from Political Agent regarding latest oil developments and movements of Major Holmes. Has no great hope of the Shaikh being persuaded to look with greater favour on the Anglo-Persian Oil Company 239
265	India Office. Confidential	June 2nd	Memorandum of a meeting between Mr. Starling (Petroleum Department), Mr. Hearn (Anglo-Persian Oil Company), and Mr. J. G. Laithwaite (India Office) to discuss latest developments and consider line to be taken in regard to Kuwait Oil Concessions 241
266	His Majesty's Representative, Jedda, to the Secretary of State for Foreign Affairs. Telegram, No. 10 (Rec. June 12th (Copy rec. in Colonial Office	June 1st June 14th)	Comments generally upon relations between King Ibn Saud and Major Holmes... 242

Serial No., From or to Whom, Despatch No., &c., and Date.			Subject and Page No.	
		1933		
267	To Political Resident. Telegram, No. 7 ...	June 20th	Asks to be furnished with a brief summary of discussions with the Shaikh regarding oil blockade ...	243
268	Political Resident. Telegram, No. 13 ... (Rec. June 20th)	June 20th	Transmits message from Political Agent stating that a letter has been received from King Ibn Saud containing suggestions for settling blockade dispute and urging the Shaikh to settle the business privately and not through H.M. Government, who are not to be trusted. States that suggestions are not acceptable to the Shaikh, who proposes to press for his original suggestion of Nejd customs posts along the frontier ...	243
269	Political Resident. Telegram. No. 14 ... (Rec. June 21st)	June 21st	Reports on a discussion with the Shaikh in which it was confirmed that he was free to choose between the two rival companies, but this did not apply to Major Holmes's proposed division of territory or to the neutral zone. Regrets that there was little time to discuss question of oil blockade	244
270	India Office	June 26th	Transmits copy of telegram from Political Resident to Secretary of State for India stating that the Shaikh talks vaguely of proceeding to England on a private visit and presumes that, until oil question is settled, official visit is out of the question	244
271	Mr. J. G. Laithwaite (India Office) to Mr. C. F. A. Warner (Foreign Office) ... ... (Copy rec. in Colonial Office July 3rd)	July 3rd	Transmits copy of draft telegram of instructions to the Resident, regarding the visit of the Shaikh, for concurrence	245
272	Political Resident. Confidential, No. 34 ... (Rec. July 3rd)	June 8th	Conveys gist of a conversation between Political Agent and Major Holmes, in which the latter denied any knowledge of the Shaikh's suspension of oil negotiations, and an account of an interview with the Shaikh	245
273	India Office	July 5th	Transmits copy of a telegram to Government of India regarding visit of the Shaikh to the United Kingdom	246
274	India Office	July 7th	Transmits copy of a despatch from Political Resident enclosing a copy of a letter to Foreign Secretary to Government of India stating that the Shaikh has definitely refused invitation of the Eastern and General Syndicate	247
275	India Office	July 10th	Transmits, with reference to No. 273, copy of telegram from Political Resident to the Secretary of State for India asking, in the circumstances explained, if the Shaikh should be informed of the possibility of a reception by His Majesty	248
276	India Office	July 10th	Transmits copy of a telegram to Government of India asking for very early intimation as to whether the Shaikh proposes to visit this country and, if so, on what date he will arrive	248
277	Political Resident. Confidential, No. 39 ... (Rec. July 10th)	June 16th	Transmits copy of letter from Political Agent submitting a note forecasting probable trend of events in oil situation	249
278	India Office	July 11th	Transmits copy of telegram from Political Resident stating that the Shaikh has intimated that he has abandoned proposals to visit England	251
279	Political Resident. Confidential, No. 43 ... (Rec. July 17th)	June 27th	Reports further on conversation with Shaikh, especially as regards considerations contained in No. 198 ...	252

PERSIAN GULF.

CONCESSIONS IN BAHREIN, KUWAIT, &c.
CORRESPONDENCE 1932 to July, 1933.

BAHREIN.

1. Indenture between Shaikh of Bahrein and the Eastern and General Syndicate, Limited, dated 12th June, 1930. Conditions governing assignment of Concession to Bahrein Petroleum Company.

18135/33 [No. 56].

No. 1.

THE POLITICAL RESIDENT to THE SECRETARY OF STATE.

(Received 18th April, 1933.)

(Confidential.)
(No. 22.) British Residency and Consulate-General, Bushire,
21st March, 1933.

SIR,

WITH reference to paragraph 3 of your despatch Persian Gulf Confidential, dated 31st January, 1933,* I have the honour to enclose herewith twelve copies of the Agreement of the 12th June, 1930, as actually signed.

2. With reference to paragraph 4 of the same despatch, I have the honour to state that the Political Agent, Bahrein, is taking steps to have the date of execution, the 13th December, 1932, inserted in the copies of the Supplementary Agreement referred to in the possession of the Bahrein Petroleum Company, Limited, and the Bahrein Government, and to request that the omission may be rectified in the copies in the possession of His Majesty's Government.

I am sending a copy of this letter and of its enclosure to the Government of India.

I have, &c.,
T. C. FOWLE,
Lieutenant-Colonel,
Political Resident in the Persian Gulf.

Enclosure in No. 1.

INDENTURE.

BETWEEN Shaikh Hamad bin Shaikh Issa Al Khalifah Shaikh of Bahrein (hereinafter called "the Shaikh") (acting on the advice of the British Political Resident in the Persian Gulf) of the one part and the Eastern and General Syndicate Limited (hereinafter called "the Company") of the other part.

These presents Witnesseth that it is hereby agreed and declared as follows:—

1. The period of the exploration licence under the Concession Agreement dated the second day of December One thousand nine hundred and twenty-five and made between the Shaikh of the one part and the Company of the other part (to which these presents are supplemental and a photostatic copy whereof is annexed hereto) shall be and the same is hereby extended up to and so as to include the second day of December One thousand nine hundred and thirty.

* No. 19.

2. The maximum period of two years (subject to the extension for a further period of two years as provided in Article 4 of the said Concession Agreement dated the second day of December One thousand nine hundred and twenty-five) of the prospecting licence shall be counted from the expiry of the exploration licence (second day of December One thousand nine hundred and thirty) or from the date when the prospecting licence is issued if it is granted during the course of the period of extension of the said exploration licence and any Mining Lease to be granted on the expiry of the prospecting licence or extension thereof or upon earlier application therefor shall be for a period of fifty-five years as provided in the third Schedule of the said Concession Agreement dated the second day of December One thousand nine hundred and twenty-five.

3. If and when the benefit of the said Concession Agreement or any of the rights thereunder shall be assigned to the Bahrein Petroleum Company Limited as hereinafter authorized then and in that case the conditions set out in the Schedule hereto shall forthwith become and be part of the said Concession Agreement as if the same had been originally contained therein and the same shall be binding upon the Bahrein Petroleum Company Limited accordingly and upon the grant of a Mining Lease pursuant to the said Agreement the like conditions shall be inserted therein in addition to the conditions set out in the form of Mining Lease scheduled to the said Concession Agreement and the said Agreement shall take effect as if the said form of Mining Lease had always contained such additional conditions.

4. The Shaikh hereby assents to the transfer by the Company to the Bahrein Petroleum Company Limited of all the rights of the Company under the said Concession Agreement dated the second day of December One thousand nine hundred and twenty-five with the extensions of time provided for by the first two paragraphs hereof and the modifications provided for by the third paragraph hereof. The Company shall give to the Shaikh notice of the execution of any assignment to the Bahrein Petroleum Company Limited and of the exact date thereof in order that the same may be duly recorded.

5. In the event of any disagreement regarding the meaning or interpretation of anything hereinbefore contained the English text shall be regarded as correct.

THE SCHEDULE.

Conditions.

A. The Bahrein Petroleum Company Limited as assignee of the Eastern and General Syndicate Limited shall be and remain a British Company registered in Canada, but shall maintain an office in Great Britain which shall at all times be in the charge of a British subject who shall be the recognized channel of communication between the Company and His Majesty's Government in the United Kingdom of Great Britain and Northern Ireland.

B. Of the five Directors of the Bahrein Petroleum Company Limited one Director shall at all times be a British subject who shall be *persona grata* to His Majesty's Government. His selection for appointment as Director shall be made in consultation with His Majesty's Government and his salary as Director shall be provided by the Company. A reasonable time shall be allowed for the replacement of the British Director in the event of this post falling vacant.

C. The Bahrein Petroleum Company Limited shall at all times maintain in Bahrein an official to be called the "Chief Local Representative" of the Company whose appointment shall be approved by His Majesty's Government in the United Kingdom and who shall be the sole representative of the said Bahrein Petroleum Company Limited empowered to deal direct with the local authorities and population in Bahrein. All communications which that official may desire on behalf of the said Bahrein Petroleum Company Limited to address to the Shaikh of Bahrein shall be made through the British Political Agent in Bahrein. For the first five years after the said Bahrein Petroleum Company Limited starts to operate in Bahrein, or for such lesser period as such Company may operate in that territory, their "Chief Local Representative" shall be Major Frank Holmes, provided the arrangement between that Company and Major Holmes continues to be mutually satisfactory to them during such five years, or such lesser period above mentioned: Provided also that any sooner determination of the appointment of Major Holmes shall be subject to the consent of His Majesty's Government, which shall not be unreasonably withheld. A reasonable time shall be allowed for the replacement of the "Chief Local Representative" in the event of this post falling vacant.

D. As many of the employees of the Bahrein Petroleum Company Limited in Bahrein as is consistent with the efficient carrying on of the undertaking shall at all times be British subjects or subjects of the Shaikh of Bahrein.

Dated 12th June, 1930.

Seal of Shaikh Hamad bin Shaikh
Issa Al Khalifah, Shaikh of Bahrein.

Before me—

C. G. PRIOR,
British Political Agent,
Bahrein.

Eastern and General Syndicate Limited.
FRANK HOLMES,
By:—Its Attorney-in-Fact.

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2. Eastern and General Syndicate's Application for a further Concession in Bahrein.

C. 98035/32 [No. 1].

No. 2.

THE POLITICAL RESIDENT to THE SECRETARY OF STATE.

(Received 24th February, 1932.)

[*Answered by No. 3.*]

(No. 6.) British Residency and Consulate-General,
Bushire, 15th February, 1932.

SIR,

I HAVE the honour to forward for the information of His Majesty's Government a copy of a letter, No. C/5, dated the 11th January, 1932, and of its enclosures, from the Political Agent, Bahrein, regarding a second application from the Eastern and General Syndicate for a further oil concession in Bahrein.

2. I agree with the views expressed by Captain Prior and am not commenting on the terms of the draft Concession in view of the fact that the Syndicate were informed in Colonial Office letter dated the 3rd December, 1930,* that His Majesty's Government were not prepared to advise the Shaikh of Bahrein to consider the grant of an extended concession until the mining licence under the existing Concession had been taken up and the 100,000 acres selected had been demarcated. I would suggest that the Company should be informed that His Majesty's Government are not prepared to reconsider the matter until the above conditions have been fulfilled.

3. When I was at Bahrein early in January I visited the oilfields and, while Major Holmes displayed his customary optimism, Mr. Skinner, the American Manager, certainly gave me the impression that he thought the chances of striking oil were not very great. I also learnt that in a pamphlet which the Standard Oil Company issue, showing their activities in different parts of the world, it was stated that nothing of value had been found in Bahrein. On the other hand, when I arrived there again in February on the conclusion of my visit to His Majesty King Ibn Saud, I heard that the Company had struck gas, and that the boring had caved in for a considerable depth. I do not know whether this necessarily means that they have struck oil but presumably it is a favourable sign.

I am sending a copy of this despatch to the Government of India.

I have, &c.,
H. V. BRISCOE,
Lieutenant-Colonel,
Political Resident in the Persian Gulf

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* No. 75 in Middle East No. 32.

Enclosure in No. 2.

(Confidential.)
No. C/5 of 1932.

SIR, Political Agent, Bahrein, 11th January, 1932.

I HAVE the honour to enclose in duplicate a communication I have received from Major Frank Holmes on behalf of the Eastern General Syndicate, together with two copies of the proposed Concession Agreement.*

The Ruler of Bahrein is by Treaty precluded from entering into concessions for petroleum without the consent of His Majesty's Government and this will, therefore, require a reference to them. The matter was discussed with you on your recent visit to Bahrein, and need not, therefore, be dealt with at length. I may, however, say that I consider the State would be foolish to part with a further area until they see the result of the borehole now being made. If the bore is successful, the remaining area will naturally be of immense value and the signing away of this potential asset for the sum of Rs. 10,000/- per year would appear most inadvisable. Further the additional Concession would be a powerful bargaining counter should the State desire to amend the original Concession in any way in the light of their experience.

If no oil is found by the present bore the matter assumes a different aspect and could then be reconsidered in the light of information disclosed by deep boring. The Company have, of course, still to select their 100,000 acres and this area should, in itself, enable them to test thoroughly the potentialities of Bahrein.

I have, &c.,
C. G. PRIOR,
Political Agent, Bahrein.

The Honourable the Political Resident
in the Persian Gulf, Bushire.

COPY OF LETTER DATED THE 21ST DECEMBER, 1931, FROM MAJOR FRANK HOLMES, EASTERN AND GENERAL SYNDICATE, LIMITED, BAHREIN, TO THE POLITICAL AGENT, BAHREIN.

I AM instructed by the Board of Directors of the Eastern and General Syndicate, Limited, to renew this Company's application made through me as its legal Attorney, on 23rd April, 1928, and 17th June, 1930, for an oil concession covering all that area of His Excellency Shaikh Hamad bin Shaikh Isa al Khalifa's territory lying outside the 100,000 acres granted to the Eastern and General Syndicate, Limited, under the Concession Agreement dated December, 1925.

I am enclosing three copies of the proposed Concession Agreement which has been drawn up on the exact terms and conditions as that of 2nd December, 1925, agreed by the Colonial Office in conference with representative of the Eastern and General Syndicate, Limited.

I would be pleased if you would kindly lay this application before the Bahrein Government as early as convenient to you.

C. 98035/32 [No. 16].

No. 3.

THE SECRETARY OF STATE to THE POLITICAL RESIDENT.

(No. 1.)

SIR, Downing Street, 25th April, 1932.

I HAVE the honour to refer to your despatch No. 6 of the 15th of February† forwarding a further application from the Eastern and General Syndicate for an extended oil concession in Bahrein.

* Not printed. † No. 2.

2. His Majesty's Government agree that the Shaikh of Bahrein should not be advised to consider the grant of an extended concession until the conditions mentioned in paragraph 2 of your despatch have been fulfilled.

3. You will no doubt arrange for a reply to be returned to Major Holmes as suggested in your despatch.

I am, &c.,
P. CUNLIFFE-LISTER.

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3. Landing Grounds and Seaplane Station.

C. 98035/32 [No. 13].

No. 4.

THE POLITICAL RESIDENT to THE SECRETARY OF STATE.

(Received 8th April, 1932.)

(No. 9.)

SIR, British Residency and Consulate-General,
Bushire, 28th March, 1932.

WITH reference to paragraph 2 of Colonial Office despatch Confidential dated the 22nd August, 1931,* I have the honour to state that the Political Agent, Bahrein, has reported that the buoys laid off the shore south-west (not south, as described in Colonial Office letter dated the 9th October, 1930,† to the Eastern and General Syndicate), of the aerodrome in Bahrein are no longer utilized and that the anchorage now invariably used both by flying boats and seaplanes consists of two buoys in Khor Khaliya due east of the Shaikh's palace.

I have, &c.,
H. V. BRISCOE,
Lieutenant-Colonel,
Political Resident in the Persian Gulf.

C. 98035/32 [No. 15].

No. 5.

COLONIAL OFFICE to MR. D. DUNCAN SMITH.

[*Answered by No. 6.*]

SIR, Downing Street, 25th April, 1932.

WITH reference to the letter from this Department of the 9th of October, 1930,† I am directed by Secretary Sir Philip Cunliffe-Lister to request you to inform the Bahrein Petroleum Company, Limited, that the seaplane station originally selected, and described in the letter under reference is now no longer in use, and that the anchorage now used by flying boats and seaplanes consists of two buoys in Khor Khaliya due east of the Shaikh's palace.

I am, &c.,
H. F. DOWNIE.

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* No. 80 in Middle East No. 32. † No. 71 in Middle East No. 32.

C. 98035/32 [No. 27].

No. 6.

MR. H. R. BALLANTYNE to COLONIAL OFFICE.

SIR, 19-21, Moorgate, London, E.C.2, 28th April, 1932.

I HAVE to acknowledge receipt of your letter dated the 25th instant* addressed to Mr. D. Duncan Smith, in which you state that the seaplane station originally selected, and described in the letter of the 9th October, 1930,† to Mr. D. Duncan Smith, is now no longer in use, and that the anchorage now used both by flying boats and seaplanes consists of two buoys in Khor Khaliya due east of the Shaikh's palace.

I am informing the Bahrein Petroleum Company, Limited, accordingly.

Might I draw your attention to the fact that a change was made in December, 1930, when the representation in this country of the Bahrein Petroleum Company, Limited, was transferred to me, of which you were informed in the letter I addressed to you on the 27th February, 1931,‡ and which was formally acknowledged by letter on the 9th March, 1931.§

I am, &c.,
H. R. BALLANTYNE

C. 98035/32 [No. 160].

No. 7.

AIR MINISTRY to COLONIAL OFFICE.

[*Answered by No.* 8.]

SIR, Air Ministry, London, W.C.2, 14th December, 1932.

I AM commanded by the Air Council to refer to Colonial Office letter of the 25th November,‖ and connected correspondence on the subject of the Bahrein Petroleum Company's Concession Agreement and to forward, for the information of the Secretary of State for the Colonies, a copy of a letter which has been addressed to the India Office on the subject of the use of a landing ground on Muharraq Island by Service and civil aircraft.

Sir Philip Cunliffe-Lister will be aware that one of the conditions under which His Majesty's Government were prepared to advise the Shaikh of Bahrein to extend the licence granted to the Eastern and General Syndicate and agree to assignment to a new Company was that the Syndicate should give an assurance that they would take no steps which would prejudice the position of the proposed sites for a landing ground and seaplane station in Bahrein, *vide* Colonial Office letter of the 16th September, 1929.¶

The site for a landing ground finally decided upon was that at Manamah, and the Air Council are accordingly anxious to know whether Sir Philip Cunliffe-Lister considers that any steps could now be taken to safeguard in addition to Manamah the proposed landing ground on Muharraq Island.

I am, &c.,
J. S. ROSS.

Enclosure in No. 7.

SIR, 9th December, 1932.

I AM commanded by the Air Council to refer to India Office letter of the 25th November, transmitting a copy of a letter from the Political Resident in the Persian Gulf, on the subject of the draft Agreement between Imperial Airways and the Bahrein State, and to forward, for the information of the Secretary of State for India, a copy of a telegram which they have received from the Air Officer Commanding, 'Iraq, regarding the use of the landing ground on Muharraq Island by Service and civil aircraft.

* No. 5. † No. 71 in Middle East No. 32. ‡ No. 77 in Middle East No. 32.
§ No. 78 in Middle East No. 32. ‖ C. 98035/32 [No. 135]: not printed.
¶ C. 69035/27 [No. 132]: not printed.

The Air Council understand that the use of this landing ground by Imperial Airways will be covered either by the draft Agreement between the Company and the Bahrein State or by a separate lease.

This, however, would not cover its use by Service aircraft and the Council would accordingly be glad to learn at an early date whether Sir Samuel Hoare sees any objection to the Air Officer Commanding, 'Iraq, being authorized to negotiate with the Bahrein Government either through the Political Agent or the Resident in the Persian Gulf regarding such use.

I am, &c.,
J. S. Ross.

AIR OFFICER COMMANDING 'IRAQ to AIR MINISTRY.

(Received 5th December, 1932.)

Telegram.

A785 5/12. MY A649 14/10 Welsh reports landing ground on Muharraq suitable for any type Service aircraft. Understand Airways considering construction of runway on Manamah landing ground but no decision yet. Request authority to negotiate through Political Agent with Bahrein Government for use of Muharraq by Service and civil aircraft.

C. 98035/32 [No. 172].

No. 8.

COLONIAL OFFICE to AIR MINISTRY.

SIR, Downing Street, 29th December, 1932.

I AM directed by Secretary Sir Philip Cunliffe-Lister to refer to your letter of the 14th of December,* on the subject to the Bahrein Petroleum Company's Agreement, and to request you to inform the Air Council that, so far as he is concerned, he sees no reason why the Air Officer Commanding in 'Iraq should not be authorized to negotiate with the Bahrein Government regarding the use of the landing ground at Muharraq Island, and, in fact, he considers that this course of action will probably produce the best results.

2. The question of providing for keeping the landing ground for aeroplanes clear will be taken up when the time comes to discuss with the Bahrein Petroleum Company the terms of the Mining Lease which they will require before they can engage on active development of the oil resources of Bahrein, and in the meantime it does not appear immediately necessary to take any further step to safeguard Muharraq Island.

3. A copy of this letter is being sent to the India Office.

I am, &c.,
J. E. W. FLOOD.

18135/33 [No. 191].

No. 9.

COLONIAL OFFICE to AIR MINISTRY.

[*Answered by No.* 10.]

SIR, Downing Street, 26th June, 1933.

WITH reference to the letter from this Department of the 29th December, 1932,† regarding the use of a landing ground at Muharraq Island in the Bahrein Islands, I am directed by Secretary Sir Philip Cunliffe-Lister to request you to inform the Air Council that the terms of the mining lease to be granted to the Bahrein Petroleum Company may shortly form the subject of discussion with the Company.

2. I am, therefore, to request that you will be good enough to state what are the present requirements of the Air Council in respect of a landing ground on Muharraq Island.

I am, &c.,
K. W. BLAXTER.

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* No. 7. † No. 8.

18135/33 [No. 224].

No. 10.

AIR MINISTRY to COLONIAL OFFICE.

(S. 31443/S. 6.)

Sir, Air Ministry, London, W.C.2, 8th July, 1933.

I am commanded by the Air Council to reply to your letter dated the 26th June,* on the subject of the use of a landing ground at Muharraq by Service and civil aircraft.

The Council regret that they are not yet in a position to formulate their final requirements in this connexion, as the experiments which are now being undertaken with a view to determining whether the landing ground at Manama can be improved sufficiently to enable it to be used by all types of aircraft have not yet been completed. Every endeavour will be made to reach a decision at an early date, and I am to request that in the meantime Sir Philip Cunliffe-Lister will not permit any arrangements to be concluded with the Bahrein Petroleum Company which would be likely in any way to affect adversely the flying amenities of the landing ground.

I am, &c.,
J. S. ROSS.

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4. Areas covered by Prospecting Licence granted to Bahrein Petroleum Company on 28th November, 1931.

C. 98035/32 [No. 62].

No. 11.

The ACTING POLITICAL RESIDENT to the SECRETARY OF STATE.

(Received 16th August, 1933.)

[*Answered by No.* 12.]

(No. 30.) British Residency and Consulate-General,
Sir, Bushire, 9th August, 1932.

With reference to observation (1) in letter No. 21, dated 20th June, 1932,† from the Director, Petroleum Department to the Under-Secretary of State for the Colonies, I have the honour to forward herewith a copy of an agreement dated 28th November, 1931, whereby the Shaikh of Bahrein granted to the Bahrein Petroleum Company a prospecting licence under Article III of the Bahrein Oil Concession of 1925. I regret the delay in forwarding this document.

2. It will be seen that the licence does not specify the area covered by it.

I am sending a copy of this letter to the Government of India.

I have, &c.,
T. C. FOWLE,
Lieutenant-Colonel,
Officiating Political Resident in the Persian Gulf.

Enclosure in No. 11.

Supplementary Agreement between His Excellency Shaikh Hamad bin Shaikh Isa al Khalifa and the Bahrein Petroleum Company, Limited.

The Bahrein Petroleum Company, Limited, having shown to the satisfaction of His Excellency Shaikh Hamad bin Shaikh Isa al Khalifa, acting on the advice of the Honourable the Political Resident in the Persian Gulf, that the prospecting licence is now justified, His Excellency Shaikh Hamad hereby agrees to grant the prospecting

* No. 9. † No. 28.

licence as from the 2nd December, 1930, and the Company accepts the prospecting licence in accordance with the conditions as the original Agreement dated the 2nd December, 1925.

In witness whereof they have duly set their signature or seal.

Seal of H.E. Shaikh Hamad. Frank Holmes.

Before me.
C. G. Prior.

28th November, 1931.

Certified true copy.
C. G. Prior,
Political Agent, Bahrein.

C. 98035/32 [No. 70].

No. 12.

The SECRETARY OF STATE to the ACTING POLITICAL RESIDENT.

[*Answered by No.* 13.]

(No. 8.)

Sir, Downing Street, 24th August, 1932.

I have the honour to acknowledge the receipt of your despatch No. 30 of the 9th of August,* enclosing a copy of the agreement between the Shaikh of Bahrein and the Bahrein Petroleum Company relating to the grant to the Company of a prospecting licence under Article III of their Concession Agreement.

2. I shall be glad to learn whether any definite areas have been selected by the Company under the terms of Article III of their Concession, or whether the prospecting licence is intended to cover the whole territory. If any particular areas have been selected an explanatory map would be useful for reference.

I have, &c.,
(for the Secretary of State),
R. W. HAMILTON.

C. 98035/32 [No. 116].

No. 13.

The POLITICAL RESIDENT to the SECRETARY OF STATE.

(Received 24th October, 1932.)

(No. 46.) British Residency and Consulate-General, Bushire,
Sir, 30th September, 1932.

I have the honour to refer to your despatch No. 8, dated 24th August, 1932,† relating to the grant to the Bahrein Petroleum Company of a prospecting licence under Article III of their Concession Agreement.

2. No definite areas were covered by the prospecting licence granted to the Bahrein Petroleum Company, which covers the whole territory covered by the concession. The Political Agent at Bahrein informs me that the extension of the prospecting licence for a further period of one year from December, 1932, will, however, specify the areas which are selected. I shall try to obtain and forward a map showing these areas.

I am sending a copy of this despatch to the Government of India.

I have, &c.,
T. C. Fowle,
Lieutenant-Colonel,
Political Resident in the Persian Gulf.

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* No. 11. † No. 12.

C. 98035/32 [No. 130].

No. 14.

THE POLITICAL RESIDENT to THE SECRETARY OF STATE.

(Received 1.14 p.m., 18th November, 1932.)

TELEGRAM.

[*Answered by No.* 18.]

No. 9. 18TH NOVEMBER.

Addressed to the Secretary of State for the Colonies. Post copies to Government of India. Colonial Office despatch of 30th August.* Extension of prospecting licence granted to Bahrein Petroleum Company.

In reply to request for specification under Article 3 of Agreement of 1925 of area covered by prospecting licence Company's chief local representative maintains that specification is unnecessary. I consider that it is clearly required under Article quoted but as original prospecting licence did not specify area and as Shaikh has no objection to extension covering whole area covered by concession I do not propose to insist that extension should specify definite area. Please confirm by telegram.

C. 98035/32 [No. 131].

No. 15.

COLONIAL OFFICE to PETROLEUM DEPARTMENT.

[*Answered by No.* 16.]

Downing Street, 23rd November, 1932.

SIR,

WITH reference to the letter from this Department of the 2nd of November,† regarding the grant to the Bahrein Petroleum Company of a prospecting licence under Article III of their Concession Agreement, I am directed by Secretary Sir Philip Cunliffe-Lister to transmit to you to be laid before the Secretary for Mines a copy of a telegram‡ from the Political Resident in the Persian Gulf on this subject.

2. Sir Philip Cunliffe-Lister will be glad to be advised as early as possible what reply should be returned to the Resident's telegram.

Copies of this letter and the enclosure are being sent to the Air Ministry, Board of Trade, War Office, Foreign Office, India Office, and Admiralty.

I am, &c.,
O. G. R. WILLIAMS.

C. 98035/32 [No. 144].

No. 16.

PETROLEUM DEPARTMENT to COLONIAL OFFICE.

(Mines Department), Dean Stanley Street, Millbank,
Westminster, London, S.W.1, 30th November, 1932.

SIR,

I AM directed by the Secretary for Mines to refer to your letter of 23rd November§ enclosing copy of a telegram from the Political Resident in the Persian Gulf on the subject of the prospecting licence granted to the Bahrein Petroleum Company, and to request you to inform Secretary Sir Phillip Cunliffe-Lister that the Secretary for Mines notes that an extension of the period of the prospecting licence has now been granted to the Company. It is presumed that this extension of time is until the 2nd December, 1933.

As regards specifying the areas to be covered under the prospecting licence the Secretary for Mines is of opinion that as no limit was placed on the extent of the areas which the Company were entitled to take up under prospecting licence under the Eastern and General Syndicate's Agreement of December, 1925, and the Company will in any event have to select 100,000 acres under mining lease in one, or

* No. 43. † C. 98035/32 [No. 126]: not printed. ‡ No. 14. § No. 15.

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at the most two years, there does not appear to be much object in making them specify areas at this stage. He, therefore, concurs in the action proposed in the telegram from the Political Resident in the Persian Gulf of 18th November.*

Copies of this letter are being forwarded to the Foreign Office, India Office, Admiralty, War Office, and Air Ministry.

I am, &c.,
F. C. STARLING.

C. 98035/32 [No. 146].

No. 17.

THE POLITICAL RESIDENT to THE SECRETARY OF STATE.

(Received 11.20 a.m., 4th December, 1932.)

TELEGRAM.

4TH DECEMBER. My telegram No. 9 of 18th November.* I arrive 5th December at Bahrein where Holmes has asked for interview grateful for early reply.

C. 98035/32 [No. 147].

No. 18.

THE SECRETARY OF STATE to THE POLITICAL RESIDENT.

(Sent 12.45 p.m., 5th December, 1932.)

TELEGRAM.

No. 8. YOUR telegram of 18th November, No. 9.* Extension of prospecting licence to Bahrein Petroleum Company. Proposal approved.—CUNLIFFE-LISTER.

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5. Employment of British Subjects by the Bahrein Petroleum Company.

18135/33 [No. 22].

No. 19.

THE SECRETARY OF STATE to THE POLITICAL RESIDENT.

[*Answered by Nos.* 1 *and* 20.]

(Confidential.)

Downing Street, 31st January, 1933.

SIR,

I HAVE the honour to invite your attention to Condition D in the Schedule to the Agreement dated the 12th of June, 1930, between the Shaikh of Bahrein and the Eastern and General Syndicate, Limited, which lays down that as many of the employees of the Bahrein Petroleum Company in Bahrein as is consistent with the efficient carrying on of the undertaking shall at all times be British subjects or subjects of the Shaikh of Bahrein.

2. In view of the statement on page 47 of the Administration Report on the Persian Gulf for 1931† to the effect that, except for Major Holmes and a few Sikhs, all the employees of the Company are non-British subjects, the question has been raised whether the Company are carrying out the obligations imposed on them by Condition D, and it has been suggested that the point might be brought to the Company's notice. In order that this suggestion may be considered by His Majesty's Government, I shall be glad to be furnished with your views as to whether the existing facts would justify representations on the subject being made to the Company.

3. I take this opportunity to point out that copies of the Agreement of the 12th of June, 1930, as actually signed, have never been sent to the Colonial Office, and to request that I may be furnished with twelve copies thereof for record in this Depart-

* No. 14. † 18135/33 [No. 21]: not printed.

ment and for distribution to the other interested Departments of His Majesty's Government.

4. It has also been brought to my notice that the copy of the Supplementary Agreement, enclosed with your despatch No. 51 of the 22nd of December, 1932,* bears no date, and I suggest that, if the original agreement is undated, the omission should be rectified. I shall be glad to be informed of the position in this respect.

I have, &c.,
P. CUNLIFFE-LISTER.

18135/33 [No. 55].

No. 20.

THE POLITICAL RESIDENT to THE SECRETARY OF STATE

(Received 18th April, 1933.)

(Confidential.)
(No. 21.) British Residency and Consulate-General,
Bushire, 21st March, 1933.

SIR,

Nationality of Employees in Bahrein of the Bahrein Petroleum Company.

WITH reference to paragraph 2 of your despatch Persian Gulf Confidential, dated 31st January, 1933,† I have the honour to enclose herewith extracts from my memorandum dated the 21st February, 1933, to the Political Agent, Bahrein, and from his reply, dated 8th March, 1933. I subsequently discussed the question with Colonel Loch, who concurs in the views expressed in my memorandum.

I am sending copies of this despatch and of its enclosures to the Government of India.

I have, &c.,
T. C. FOWLE,
Lieutenant-Colonel,
Political Resident in the Persian Gulf.

Enclosure in No. 20.

EXTRACT PARAGRAPH 2 FROM MEMORANDUM No. 178-S OF 21ST FEBRUARY, 1933, FROM THE HONOURABLE THE POLITICAL RESIDENT IN THE PERSIAN GULF TO THE POLITICAL AGENT, BAHREIN.

* * * * * * * * * *

2. Could you please let me know what is the total number of employees under the Company in Bahrein, with their nationalities. Prima facie I am inclined to think that perhaps existing facts do not justify representations on the subject being made to the Company. Oil operations, whether this is actually indicated in a Concession or not, progress through three stages: exploring, prospecting, and mining. In the first stage only a few experts, chiefly geologists, would be employed. In the second, drilling is begun and in addition to expert drillers employment is given to a comparatively few manual workers to carry out the actual drilling, for road-making, &c. It is not until the third stage, mining, is reached that labour is employed in any large numbers, and even when this stage is reached I imagine that a company would be justified in keeping posts demanding special technical or clerical qualifications in their own hands. The Bahrein Petroleum Company is at present only at the second stage, and I suppose the employment they can give to non-Americans is limited. When they reach the mining stage there should be scope for employing local labour, whether British (British Indian) or Bahraini, and quite apart from other considerations, it will be economical for them to do so. Please let me have your views.

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* No. 67. † No. 15.

EXTRACT PARAGRAPH 3 FROM LETTER No. C/102 OF 8TH MARCH, 1933, FROM THE POLITICAL AGENT, BAHREIN, TO THE HONOURABLE THE POLITICAL RESIDENT IN THE PERSIAN GULF.

* * * * * * * * * *

3. It is impossible to state precisely the number of employees of the Bahrein Petroleum Company, Limited, and their nationalities, asked for in the second paragraph of your memorandum, without making a specific inquiry from the Company. As it is not clear whether His Majesty's Government intend to approach the Company, I have not made any inquiry from them pending further orders, as to do so would at once raise the question which might be embarrassing. In the meantime, I can say that I have visited the field a number of times, and have casually seen most of the personnel. The Fields Manager and his Secretary and Accountant and the drillers and riggers (some eight in all) are citizens of the United States of America. The lower works personnel comprise some Sikhs, an Anglo-Indian, a Burman, and two Indian clerks. The head cook is a Chinese! I am not certain about a few men who help work the drills and so on—they may be anything. There are a number of local guards and coolies, though I hear that the coolies are mostly Persians or Najdis. I understand that a further party of drillers is expected shortly from the United States of America.

18135/33 [No. 85].

No. 21.

MR. F. C. STARLING (PETROLEUM DEPARTMENT)

to

MR. K. W. BLAXTER (COLONIAL OFFICE).

(Mines Department), Dean Stanley Street, Millbank.
Westminster, London, S.W.1, 1st May, 1933.

MY DEAR BLAXTER.

WITH reference to your letter of the 24th April,* and our discussion at the Colonial Office on the 26th April, I send herewith a short note giving our views on the possibility of increasing the British element in the personnel employed or to be employed by the Bahrein Petroleum Company.

I haven't said anything about the position of Holmes, but I may perhaps put on record that we will support any effort which may be made to get rid of this gentleman or to insist on his spending more time in Bahrein.

Yours, &c.,
F. C. STARLING.

Enclosure in No. 21.

EMPLOYMENT OF BRITISH SUBJECTS AS DRILLERS AND FOR OILFIELD WORK.

THE Agreement of 1930 between the Shaikh of Bahrein and the Eastern and General Syndicate provided that as many of the employees of the Company as was consistent with the efficient carrying on of the undertaking should at all times be British subjects, or subjects of the Shaikh of Bahrein.

At the present time the Bahrein Petroleum Company have an American Fields Manager and about eight United States citizens who are either drillers or working on the rigs. There is, of course, also a certain amount of native labour.

With regard to the question of the employment of British drillers, a few years ago it was very difficult to get British drillers, the only men available being those who were already in the employment of the large oil companies and who had been specially trained for the work. From inquiries which the Petroleum Department has made, it has been ascertained, however, that the position has now changed as both the Anglo-Persian Oil Company and the 'Iraq Petroleum Company have trained a large number of men and have recently reduced their drilling staffs. The Anglo-Persian Oil Company's drilling staff is now entirely British and they have lately reduced the number of their drillers from 140 to 40. The 'Iraq Petroleum Company has also made large

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* 18135/33 [No. 71]: not printed.

reductions. In consequence there is now a surplus of British labour available, consisting of men who are conversant with drilling conditions in the East.

Both of the above Companies have lists of men on their books who are available for employment. In Trinidad the oil companies have been fairly successful in training British personnel and they also employ a considerable number of native drillers.

It was perhaps only natural that the Bahrein Petroleum Company, being essentially an American concern, should prefer to have an American Fields Manager to superintend the preliminary prospecting operations with a small staff of American drillers. but now that oil has been found and the Company will enlarge their operations, there appears no reason why they should not employ British labour on the oilfields in accordance with the terms of their Agreement.

It is suggested that the Company's attention should be called to the above facts and that they should be told that His Majesty's Government will expect them to make arrangements for the employment of British personnel for further operations and as soon as existing contracts expire. The post of Fields Manager is one of exceptional importance and responsibility and it is not suggested that the Company should be pressed to replace this official as long as they consider it important to retain his services

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18135/33 [Nos. 102-105].

No. 22.

MR. K. W. BLAXTER (COLONIAL OFFICE)

to

[1] MR. G W. RENDEL (FOREIGN OFFICE).
[2] CAPTAIN H. R. MOORE (ADMIRALTY).
[3] MR. J. G. LAITHWAITE (INDIA OFFICE).
[4] MR. F. C. STARLING (PETROLEUM DEPARTMENT).

[*Answered by Nos.* 24, 25, 23, *and* 79.]

Downing Street, 9th May, 1933.

DEAR [RENDEL,] [MOORE,] [LAITHWAITE,] [STARLING,]

PARKINSON asks me to send you, for your information, the enclosed note of a talk which he had on the 8th May* with Lombardi and Ballantyne about the Bahrein Oil Concession.

You will see that the question of the employment of British drillers was discussed. In view of what Lombardi said, Parkinson is disposed not to take any further action, at any rate, for the present. Perhaps you will say whether you agree.

As regards paragraph 3 of the note [*To* [1]-[3] : I am asking Starling whether he considers] [*To* [4] : we should like to know whether you consider] that further details are required to support the Company's contention that they have carried on with due diligence and efficiency, and if so precisely what we should ask for.

Yours, &c.,
K. W. BLAXTER.

18135/33 [No. 122].

No. 23.

MR. J. G. LAITHWAITE (INDIA OFFICE)

to

MR. K. W. BLAXTER (COLONIAL OFFICE).

MY DEAR BLAXTER, India Office, Whitehall, S.W.1, 10th May, 1933.

MANY thanks for your letter of the 9th May,† and for the note of a conversation between Parkinson, Lombardi and Valentine [? Ballantyne]. I quite agree that, in view of Lombardi's remarks about the employment of British engineers, &c., we might postpone consideration of the question of employing British drillers for the present.

Yours, &c.,
J. G. LAITHWAITE.

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* No. 77.

† No. 22.

18135/33 [No. 123].

No. 24.

MR. G. W. RENDEL (FOREIGN OFFICE)

to

MR. K. W. BLAXTER (COLONIAL OFFICE).

MY DEAR BLAXTER, Foreign Office, S.W.1, 12th May, 1933.

WITH reference to your letter of the 9th May,* regarding the Bahrein Oil Concession, we agree, subject to the views of the other Departments concerned, that, since the Company are sending out two British engineers to Bahrein for training, we might for the present say no more to them about Condition "D." We have done enough to remind them of that condition.

I am sending copies of this letter to Laithwaite and Starling.

Yours, &c.,
G. W. RENDEL.

18135/33 [No. 128].

No. 25.

COMMANDER H. R. MOORE (ADMIRALTY)

to

MR. K. W. BLAXTER (COLONIAL OFFICE).

Plans Division, Naval Staff,

DEAR BLAXTER, Admiralty, S.W.1, 16th May, 1933.

MANY thanks for your letter of 9th May,* enclosing a note of Parkinson's talk with Lombardi and Ballantyne.

Referring to the question of British employees, the employment of the two British engineers is satisfactory, but the excuse about British drillers not being available appears lame.

The Admiralty view is that the Americans should be made to honour their undertaking and that evidence of this should be forthcoming while we still have some hold on them.

I am sending a copy of this letter to Starling.

Yours, &c.,
H. R. MOORE.

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6. Extension of Prospecting Licence granted to Bahrein Petroleum Company on 28th November, 1931.—Amendment to Article IX of Schedule II to the Concession Agreement—Proposed amendments to Mining Lease.

C. 98035/32 [No. 31].

No. 26.

THE POLITICAL RESIDENT to THE SECRETARY OF STATE.

(Received 25th May, 1932.)

[*Answered by Nos.* 32 *and* 43.]

(Confidential.)
(No. 18.) British Residency and Consulate-General,

SIR, Bushire, 16th May, 1932.

I HAVE the honour to forward herewith two letters with their enclosures received from the Political Agent, Bahrein.

2. It will be seen from the first letter that the Bahrein Petroleum Company, Limited, have applied for a two years' extension of their prospecting licence, and that

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* No. 22.

Shaikh Hamad proposes to limit the extension to one year. From the second letter it will be seen that the Company seek a modification of Clause IX, Schedule II, of their Concession.

3. The object of this Clause, as at present worded, was presumably to compel the Company to take out a mining licence as soon as possible, and while I am entirely unversed in such matters, it was presumably considered that the production of 100 tons of oil from one well would be adequate to enable them to form an opinion regarding the value of the well. The view that seems to be held by the Company is that this test is not adequate, and that before they can form an opinion of the value of a bore it is necessary to extract more than 100 tons. It is true, as the Political Agent states, that the Company could defeat the Shaikh's hopes of increased revenue by closing down each well as it approached the 100-ton limit, but presumably to have to bore another well would be a costly and laborious proceeding, and they naturally would prefer to exploit the existing bore than to be compelled to make fresh ones. If then the production of 100 tons is not sufficient to enable them to judge of the value of a bore, the Company's request for a modification of the Clause would seem to be reasonable. On a technical matter of this nature, however, I am not competent to express any opinion and would therefore request the instructions of His Majesty's Government as to the advice that I should give to the Shaikh.

4. Since writing the above I have received from the Political Agent, Bahrein, a copy of a letter from the Company informing him of the latest developments of the outflow of oil, which I forward herewith. It would seem that there is a possibility of oil shortly being found in exploitable quantities, and that a decision regarding the interpretation of Clause IX may be needed in the near future. I shall be grateful, therefore, if I could receive the instructions of His Majesty's Government at an early date.

I am sending a copy of this despatch with its enclosures to the Government of India.

I have, &c.,
H. V. BRISCOE,
Lieutenant-Colonel,
Political Resident in the Persian Gulf.

Enclosure 1 in No. 26.

(No. C/63 of 1932.)

Political Agent, Bahrein, 3rd May, 1932.

SIR,

I HAVE the honour to enclose a copy of a letter from the Chief Representative of the Bahrein Petroleum Company, Limited, desiring an extension of their prospecting licence.

2. The matter was referred to His Excellency Shaikh Hamad, who was only willing to grant a one-year extension. I concur in His Excellency's view. The Concession has been granted for some eight years and the State have derived little or no benefit from it hitherto. The Company are now fully installed and with the geological experience gained in sinking this well the Company should be able to proceed at a much faster pace with subsequent borings.

I have, &c.,
C. G. PRIOR,
Political Agent, Bahrein.

The Honourable the Political Resident
in the Persian Gulf,
Bushire

His Britannic Majesty's Political Agent,
Bahrein.

22nd April, 1932.

DEAR SIR,

ON behalf of the Bahrein Petroleum Company, Limited, the assignee holder of the Bahrein Oil Concession dated 2nd December, 1925, I hereby wish to apply for two years' extension of the prospecting licence, the extension to begin from 2nd December, 1932.

This application is made under Clause IV, of the Concession Agreement, the Company has fulfilled the conditions laid down in this Clause as necessary to justify

such extension, as the Company has erected a modern powerful deep-boring drilling plant with the necessary appurtenances.

This boring plant has been in constant operation since the middle of October, 1931, to the present date, except when stoppages were necessary to fulfil the conditions regarding water, as stated in Clause 10 of the prospecting licence.

Further, it is necessary that much additional prospecting work be accomplished before the value and trend of the oil formation can be ascertained. It is the Company's intention to pursue with energy a prospecting programme to secure the information necessary to enter the Mining Lease Schedule with the minimum of delay.

An early decision would be greatly appreciated as delay would adversely affect the Company's prospecting and development programme.

I am, &c.,
FRANK HOLMES,
Chief Representative,
The Bahrein Petroleum Company, Limited.

Enclosure 2 in No. 26.

(No. C/64 of 1932.)

Political Agent, Bahrein, 3rd May, 1932.

SIR,

I HAVE the honour to forward for your information a copy of a letter, without number, dated the 22nd April, 1932, from the Chief Local Representative of the Bahrein Petroleum Company, Limited, and my reply thereto. Upon my giving an interpretation of the clause, which I feel sure you will agree is the correct one, Major Holmes immediately forwarded his letter dated the 24th April requesting the Bahrein Government to change the reading of Clause 9, Schedule 2. The matter was discussed with His Excellency Shaikh Hamad, and considerable difficulty was experienced in explaining the matter to him.

2. His Excellency was plainly bored by the details and observed that " By God, the important thing was that some benefit should be found." He asked me what my advice was. I told him that if he adhered to the present wording the Company could defeat his hopes of increased revenue by closing down each well as it approached the 100-ton limit, and that there was nothing to stop them doing this. I also pointed out that until oil was found " in commercial quantities," the royalty would not rise above the Rs. 10,000-rate now fixed, and that it was not until five years had elapsed that the Government could force them to declare that oil had been so found or terminate the Concession.

3. His Excellency discussed the matter further with the Adviser and myself and finally gave the reply of which I enclose a copy. I had pointed out to him that the alteration would require the concurrence of the Colonial Office and I had suggested that since they had drafted this clause it would be advantageous to take their advice upon the matter. His Excellency agreed with me, and, as will be seen from his letter, specially asks for guidance in so technical a matter.

4. My personal opinion is that which I gave the Shaikh. The meaning of the clause is evidently to force the Company to take out a mining licence at the earliest possible opportunity. This they have no intention of doing, and to prevent this they will close down each well as it approaches the 100-ton limit. The State has no recourse till five years have elapsed, and has no immediate financial gain, whereas by accepting the alteration they will gain something, though they will have no means of checking their dues; nevertheless the Colonial Office must have inserted this clause with some special meaning and the problem, which is strange to us, will no doubt be familiar to them. I regret I can offer no useful opinion on the arguments advanced by Major Holmes in his letters of the 22nd and 24th April, for these are technical matters in which I have no experience.

I have, &c.,
C. G. PRIOR,
Political Agent, Bahrein.

The Honourable the Political Resident
in the Persian Gulf,
Bushire.

His Britannic Majesty's Political Agent,

Bahrein.

DEAR SIR, 22nd April, 1932.

The Bahrein Oil Concession (*2nd December*, 1925.)

I WISH on behalf of the Bahrein Petroleum Company, Limited, to request an interpretation of the purport of Clause IX, Schedule 2, of the Bahrein Oil Concession Agreement. Until the exact meaning of this clause is clarified, the difficulty is present of deciding how the value of a well as an oil producer is to be gauged. It cannot mean that if a well yielded 3½ tons of oil per day over a period of 30 days, in total over 100 tons, that the Company would be constrained to apply for a mining lease, covering territory that would be useless for the purpose of oil production? Such a yield would not make a well commercially exploitable, in fact it would prove it to be decidedly otherwise.

My Company feel that this is not the intent or aim of Clause IX and is of the opinion that the meaning of the clause would be much clarified and still retain the real intent of the clause, if it were framed in different words to what it is at present.

The Company considers that the aim of the clause would be fully preserved, and the Company is persuaded that full justice would be done to the object of the clause if the clause were reframed in the following words :—

" *Clause IX*. The right to win up to 100 (one hundred) tons of oil free of payment, and further quantities of oil on payment of the royalty per ton provided in the mining lease.

" The privileges in this clause may only be enjoyed by the Company during the period for which the prospecting licence or its extensions are granted or until the Company declare that oil has been discovered in commercially exploitable quantities, whichever is the shorter."

The above wording conveys clearly the interpretation that the Company places upon the actual purpose of Clause IX.

I may point out that the prospecting stage of the development of virgin oil territory is of the greatest importance and anything that hinders the Company from acquiring the fullest information as regards the oil formation may be the cause of slowing up the advent of the actual production stage.

It is important, so as not to retard the progress of the Company's programme of prospecting and development work, that the interpretation of Clause IX be made without undue delay. May I therefore respectfully ask your early consideration of this request.

I am, &c.,
FRANK HOLMES,
Chief Representative,
The Bahrein Petroleum Company, Limited.

(No. C/47.)

DEAR SIR, Political Agent, Bahrein, 23rd April, 1932.

PLEASE refer to your letter of the 22nd April, 1932, regarding the interpretation of Clause IX, Schedule 2, of the Bahrein Oil Concession Agreement.

2. In my opinion the meaning of Clause IX is perfectly clear and the words obviously mean that when 100 tons of oil have been won from any particular well the Company are precluded from obtaining any further quantity without applying for a mining licence.

3. The object of the clause is clearly to press the Company to take out a mining licence at the earliest possible opportunity. If you wish the clause to be altered you will no doubt ask me formally to apply to the Bahrein Government to that effect.

Yours, &c.,
C. G. PRIOR,
Political Agent, Bahrein

The Chief Local Representative,
Bahrein Petroleum Company, Limited,
Bahrein.

His Britannic Majesty's Political Agent,

Bahrein.

DEAR SIR, 24th April, 1932.

PLEASE refer to your letter No. C/47, dated 23rd April, 1932, being a reply to my letter of 22nd April, 1932, dealing with the interpretation of Clause IX, Schedule 2, of the Bahrein Oil Concession Agreement.

On behalf of the Bahrein Petroleum Company, Limited, I request you to ask the Bahrein Government to change the reading of Clause IX, Schedule 2, so that the clause will then read as follows :—

" *Clause IX*. The right to win up to 100 (one hundred) tons of oil free of payment. and further quantities of oil on payment of the royalty per ton provided in the mining lease.

" The privileges in this clause may only be enjoyed by the Company during the period for which the prospecting licence or its extensions are granted or until the Company declare that oil has been discovered in commercially exploitable quantities, whichever is the shorter."

Wording of Clause IX at present is as follows :—

" *Clause IX*. The right to win up to 100 (one hundred) tons of oil free of payment and further quantities of oil on payment of the royalty per ton provided in the mining lease, but on condition that the Company shall apply for a mining lease in respect of each area in which work is proceeding as soon as more than 100 tons of oil are won from one single bore hole within it."

I have explained in my letter of 22nd April, 1932, the difficulties that Clause IX presents as it now reads in the Concession Agreement. The object in making the request that the wording be changed is not to delay the Company entering Schedule 3 of the Concession Agreement. The Company venture to predict that to change to Clause IX, as asked, will hasten rather than delay the mining lease stage of the Concession Agreement being reached.

I remain, &c.,
FRANK HOLMES,
Chief Representative,
The Bahrein Petroleum Company, Limited.

COPY OF A LETTER DATED THE 22ND DHIL HAJJ, 1350, FROM HIS EXCELLENCY SHAIKH HAMAD BIN ISA AL KHALIFA TO THE POLITICAL AGENT, BAHREIN.

After Compliments,

1. With reference to your inquiry about our wish in regard to the matters mentioned by Major Holmes, representative of the Bahrein Petroleum Company, in his two letters to you dated 22nd April, 1932. We have received copies of these two letters and after considering the matter we inform you of our opinion.

2. With regard to the extension of the prospecting licence for two years after the completion of the present time, which is in about seven months, we wish to see some result from the work of the Oil Company because they have now held the Concession for many years. We think, therefore, that an extension of two years is very long but we are willing to grant an extension of one year.

3. With regard to altering Clause IX of the prospecting licence according to the letter of Major Holmes. As this alteration is not injurious to us, we are willing to allow this alteration, accordingly the Company will be able to obtain any amount more than 100 tons of oil but they must pay the royalty on every ton after the first 100 tons.

4. With reference to these two matters which we mention above, as you are aware we have small knowledge of matters concerning oil, so we request that you will ask the Honourable the Political Resident in the Persian Gulf to obtain on our behalf the advice of the Colonial Office in London in these two matters. We would be obliged if the matter might be settled as soon as possible because as you are aware we wish very much to see some financial result from the Oil Company.

(Seal of H.E. Shaikh Hamad.)

Enclosure 3 in No. 26.

COPY OF LETTER DATED 5TH MAY, 1932, FROM THE FIELDS MANAGER, BAHREIN PETROL COMPANY, LIMITED, TO J. M. RUSSELL, ESQ., MESOPOTAMIA PERSIA CORPORATION, LIMITED, BAHREIN.

FOR your information our well at Jebel Dukhan has just completed a 48-hour test, previous to which all water was bailed from the hole.

During the 48 hours oil raised in the casing from a depth of 1,080 feet to 745 feet, which means that eight tons of oil entered the hole in two full days or an average of four tons a day.

There is not enough gas to flow the oil, which means that production would only be obtained by pumping, and the maximum amount obtainable per day would be about four tons. This is obviously practically nothing. So I am to-day recommending my principals that we continue drilling to see if there are more productive horizons below

I would thank you to pass this information on to the interested officials of the Bahrein Government.

C. 98035/32 [No. 33].

No. 27.

COLONIAL OFFICE to PETROLEUM DEPARTMENT.

[*Answered by No.* 28.]

Downing Street, 11th June, 1932.

SIR,

WITH reference to previous correspondence on the subject of the Bahrein Oil Concession I am directed by Secretary Sir Philip Cunliffe-Lister to transmit to you, to be laid before the Secretary for Mines, a copy of a despatch* from the Political Resident in the Persian Gulf reporting that the Bahrein Petroleum Company have applied for (1) a two years' extension of their prospecting licence and (2) a revision of Clause IX of the second schedule to their Concession Agreement. A copy of a telegram† from the Political Resident regarding the progress made by the Bahrein Petroleum Company is also enclosed.

2. As regards (1) it will be observed that the Shaikh of Bahrein is only willing to grant an extension of the prospecting licence for one year and I am to inquire whether the Secretary for Mines agrees that the Shaikh should be advised to maintain this attitude.

3. As regards (2) Sir Philip Cunliffe-Lister would be glad to be advised what reply should be returned to the Company's application for a revision of Clause IX of the second schedule to the Agreement, and to be informed, should the Secretary for Mines agree that a revision of the clause is reasonable, in what manner this can best be carried out.

4. I am to request the favour of a very early reply to this letter.

5. Copies of this letter and its enclosures are being sent to the Foreign Office, India Office, and Admiralty for observations, and to the Air Ministry, War Office, and Board of Trade for information.

I am, &c.,
H. F. DOWNIE.

C. 98035/32 [No. 46].

No. 28.

PETROLEUM DEPARTMENT to COLONIAL OFFICE.

[*Answered by Nos.* 41 *and* 42.]

(Mines Department), Dean Stanley Street, Millbank,
Westminster, London, S.W.1, 20th June, 1932.

SIR,

WITH reference to your letter of 11th June,‡ on the subject of the Bahrein Oil Concession, I am directed by the Secretary for Mines to offer the following observations for the information of Secretary Sir Philip Cunliffe-Lister:—

(1) It will be recalled that under the terms of the Agreement, a prospecting licence could be granted over "areas to be selected by the Company with

* No. 26. † C. 98035/32 [No. 32]: not printed. ‡ No. 27.

the approval of the Shaikh." The Political Resident, in his despatch of 22nd July, 1931,* said that the Shaikh had approved the grant of a licence and that he (the Political Resident) had authorized the execution of an Agreement granting the licence, a copy of which would be forwarded in due course. As no copy of this Agreement appears to have been received, the Petroleum Department are not aware of what area is covered by the prospecting licence and would be glad if the Political Resident could be requested to furnish a copy without delay.

(2) The terms of the Eastern and General Syndicate's concession of 2nd December, 1925, are in several respects unsatisfactory, and Clause IX of the second schedule is an example of one of the unsatisfactory features. It is difficult at this stage to suggest a wholesale revision of the Agreement, but it is considered that some improvement could be effected and possibly one or two points covered, either during the revision of this Clause, or when the lease is finally drawn up.

(3) The views expressed in the despatch of 16th May, 1932,† from the Political Resident in the Persian Gulf, appear to be subject to modification in the light of his telegram of 4th June,‡ reporting that the Bahrein Petroleum Company had struck oil and that the well was making over 70 tons per day. If this rate of output is confirmed, the Company will probably shut in the well and proceed to drill further test wells in order to prove the extent of the oil structure, with a view to selecting an area for a mining lease.

(4) To enable the Company to carry out further test drilling, some extension of the period of the prospecting licence is desirable, and the Secretary for Mines agrees that an extension of one year might be given, which could be reviewed later when it is seen what progress the Company have been able to make.

(5) It should be recognized that the more prospecting drilling that is carried out, within the period allowed, the better, but from the Shaikh's point of view, the most important consideration is how soon the Company can be induced to declare that "oil has been discovered in commercially exploitable quantities." If the Company produce oil during the period of their prospecting licence, this will be to the advantage of the Shaikh in that it will enable him to counter any suggestion from the Company that oil has not been found in "commercially exploitable quantities."

(6) It is not unusual in prospecting licences to provide that a limited quantity of oil may be produced free of royalty for testing and experimental purposes. The provision contained in the latter part of Clause IX is, however, not satisfactory. It might not be reasonable in all cases to expect a Company to apply for a mining lease "as soon as more than 100 tons of oil are won from one single borehole" for it is possible that this oil might only be obtained by baling or pumping over a prolonged period. Under such conditions the well would be of little value except as an indication of the occurrence of oil. Clause IX, as at present worded, states that the Company shall apply for a mining lease in respect of each area in which work is proceeding as soon as more than 100 tons of oil are won from one single borehole within it. In the first place, it is not clear what is meant by the word "area" in the above context, and secondly, this Clause, if applied literally, would have the effect of limiting the number of boreholes under prospecting licence to 3, since under the provisions of the Agreement the lease of 100,000 acres must be taken out in not more than 3 blocks. It would clearly not be to the advantage of the Shaikh to have the number of test boreholes thus limited.

(7) The Secretary for Mines notes that the Agreement contains no provision, either in the prospecting licence or the mining lease, to compel the Company to furnish returns, for the purpose of royalty assessment, of the amount of oil produced, and it is suggested that in agreeing to an amendment of Clause IX the Shaikh should require the inclusion of such a provision, and that facilities should be afforded either to the Shaikh or his representative to check the returns. A suggested form of amendment to cover this point is enclosed herewith. It is presumably the absence of

* No. 79 in Middle East No. 32. † No. 26. ‡ C. 98035/32 [No. 32]: not printed.

such a provision which the Political Resident at Bahrein had in mind in his despatch of 3rd May, 1932,* when he stated that "The State . . . . will have no means of checking their dues."

(8) In view of the above considerations, the Secretary for Mines considers that the Company's request for a modification of Clause IX on the lines suggested is one which it may be desirable to meet, and recommends that it should be agreed to with the addition as to provision of returns and the right to check such returns referred to in the preceding paragraph.

(9) Copies of this letter are being sent to the Foreign Office, India Office, Admiralty, War Office, and Air Ministry.

I am, &c.,
F. C. STARLING,
Director.

Enclosure in No. 28.

SUGGESTED PROVISIONS FOR MEASURING CRUDE OIL WON.

(1)

Measurement of Production.

THE Company shall measure, in a method approved from time to time by the Shaikh or his authorized representative (which approval shall not be unreasonably withheld, all crude oil won and saved, and the duly authorized representatives of the Shaikh shall have the right (1) to examine such measuring; (2) to examine and test the appliances used for such measuring. If, upon such examination or testing, any such appliance shall be found to be out of order, the Shaikh or his representative may require that the same be put in order by, and at the expense of, the Company, and if such requisition be not complied with in a reasonable time the Shaikh or his representative may cause the said appliance to be put in order, and may recover the expense of so doing from the Company, and if upon such examination as aforesaid any error shall be discovered in any such appliance, such error shall, if the Shaikh or his representative so decide after hearing the Company's explanation, be considered to have existed for three calendar months previous to the discovery thereof, or from the last occasion of examining the same in case such occasion shall be within such period of three calendar months, and the royalty shall be adjusted accordingly. If the Company desire to alter any measuring appliances it shall give reasonable notice to the Shaikh or his representative, to enable a representative of the Shaikh to be present during such alteration.

(2)

Production Accounts.

The Company shall keep full and correct accounts of all crude oil measured as aforesaid, and the duly authorized representative of the Shaikh shall have access at all reasonable times to the books of the Company containing such accounts, and shall be at liberty to make extracts therefrom, and the Company shall, at its own expense, within three calendar months after the end of each calendar year, deliver to the Shaikh an abstract of such accounts for such year and a statement of the amount of royalty due to the Shaikh for such year. Such accounts shall be treated as confidential by the Shaikh, with the exception of such figures therein as he may think it necessary to publish.

C. 98035/32 [No. 47].

No. 29.

INDIA OFFICE to COLONIAL OFFICE.

SIR, Whitehall, London, S.W.1, 27th June, 1932.

IN reply to your letter of the 13th June,† on the subject of the Bahrein Oil Concession, I am directed by the Secretary of State for India to say that in the light of the observations of the Petroleum Department he agrees that the Shaikh may

* Enclosure 2 in No. 26. † C. 98035/32 [No. 35] : not printed.

be advised to grant an extension of the Bahrein Petroleum Company's prospecting licence for one year and that no objection need be raised to an amendment of Clause IX of the 2nd Schedule to the Company's Agreement of 1925, subject to the acceptance by the Company of an addition to that Agreement to govern the provision of returns, and the right to check such returns, of the nature suggested by the Petroleum Department.

Copies of this letter have been sent to the Foreign Office, Admiralty, War Office, Air Ministry, and Petroleum Department.

I am, &c.,
J. C. WALTON.

C. 98035/32 [No. 48].

No. 30

FOREIGN OFFICE to COLONIAL OFFICE.

SIR, Foreign Office, S.W.1, 30th June, 1932.

WITH reference to your letter of the 13th June,* regarding an application by the Bahrein Petroleum Company for an extension of their prospecting licence and a revision of Clause IX to the second Schedule to their Concession Agreement, I am directed by Secretary Sir John Simon to request you to inform Secretary Sir Philip Cunliffe-Lister that, having regard to the recommendations made by the Petroleum Department in their letter of the 20th June,† to your Department, he does not desire to offer any observations in the matter.

2. Copies of this letter are being sent to the India Office, Admiralty, War Office, Air Ministry, and Petroleum Department.

I am, &c.,
G. W. RENDEL.

C. 98035/32 [No. 52].

No. 31.

ADMIRALTY to COLONIAL OFFICE.

(Confidential.)

SIR, Admiralty, S.W.1, 15th July, 1932.

WITH reference to your letter,‡ transmitting copies of a despatch§ from the Political Resident in the Persian Gulf, and of a letter‖ to the Petroleum Department concerning the application of the Bahrein Petroleum Company for an extension of their prospecting licence and a revision of Clause IX to the Second Schedule of their Concession Agreement, I am commanded by My Lords Commissioners of the Admiralty to acquaint you, for the information of the Secretary of State for the Colonies, that They have no remarks to offer concerning the extension of the prospecting licence or the revision of Clause IX; but if a wholesale revision of the agreement is to be undertaken, or when the lease is finally drawn up, or in the event of the Company applying for an extension of their area, They consider it of the greatest importance that the opportunity should be taken to rectify the unfortunate situation which resulted from the omission in the original agreement of adequate safeguards for British interests.

Copies of this letter have been sent to India Office, Foreign Office, Air Ministry, War Office, Board of Trade, and Petroleum Department.

I am, &c.,
S. H. PHILLIPS.

C. 98035/32 [No. 53].

No. 32.

THE SECRETARY OF STATE to THE POLITICAL RESIDENT.

(Sent 12.5 p.m., 5th August, 1932.)

TELEGRAM.

No. 6. CONFIDENTIAL. Your Confidential despatch of 16th May, No. 18.§ Bahrein oil. Extension of prospecting licence for one year approved.

* C. 98035/32 [No. 34] : not printed. † No. 28. ‡ C. 98035/32 [No. 36] : not printed.
§ No. 26. ‖ No. 27.

Revision of Clause IX of second Schedule to Agreement as desired by Company is also approved, subject to addition of provisions with regard to measuring and checking amount of oil produced for purpose of computing royalties. Wording of provisions still under consideration. Despatch follows.—CUNLIFFE-LISTER.

C. 98035/32 [No. 54].

No. 33.

MR. J. E. W. FLOOD (COLONIAL OFFICE)

to

MR. H. R. BALLANTYNE (BAHREIN PETROLEUM COMPANY, LIMITED).

[*Answered by No.* 36.]

DEAR SIR, Downing Street, 8th August, 1932.

AT an interview at the Colonial Office recently, Major Holmes and Mr. Lloyd Hamilton discussed, *inter alia*, the application of the Bahrein Petroleum Company, Limited, for the revision of Clause IX of the Second Schedule to their Concession Agreement, and were informed that His Majesty's Government would have no objection to the modification of this Clause in the manner desired by the Company subject to the addition of certain provisions for measuring and checking the amount of oil produced for the purpose of royalty assessment.

I now forward, as requested by Mr. Lloyd Hamilton, a draft of the provisions* which it is proposed to include in the revised Clause IX. We should be glad to learn at your early convenience whether the Bahrein Petroleum Company desire to offer any comments on the wording of these provisions. If the provisions are acceptable to the Company, the matter will be placed on an official footing; and the British authorities in the Persian Gulf will be requested to advise the Shaikh of Bahrein to conclude a supplementary agreement with the Company for the revision of the Clause in question.

I am, &c.,
J. E. W. FLOOD.

C. 98035/32 [Nos. 66-69].

No. 34.

MR. J. E. W. FLOOD (COLONIAL OFFICE)

to

[1] MR. C. F. A. WARNER (FOREIGN OFFICE).
[2] MR. F C. STARLING (PETROLEUM DEPARTMENT).
[3] CAPTAIN J. H. D. CUNNINGHAM (ADMIRALTY).
[4] MR. J. G. LAITHWAITE (INDIA OFFICE).

Downing Street, 22nd August, 1932.

DEAR [WARNER,] [STARLING,] [CUNNINGHAM,] [LAITHWAITE,]

WITH reference to the recent correspondence on the subject of the Bahrein Oil Concession, I enclose herewith, for your information, a note of an interview which I had on the 12th of August with Mr. Ballantyne and Mr. Hamilton, of the Bahrein Petroleum Company, together with a copy of a letter† which I subsequently sent to Mr. Ballantyne.

Copies of these documents are also being sent to [*To* [1] : Starling, Cunningham, and Laithwaite] [*To* [2] : Warner, Cunningham, and Laithwaite] [*To* [3] : Warner, Starling, and Laithwaite] [*To* [4] : Warner, Starling, and Cunningham].

Yours, &c.,
J. E. W. FLOOD.

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* Enclosure in No. 28.

† No. 111.

Enclosure 1 in No. 34.

NOTE OF AN INTERVIEW HELD ON 12TH AUGUST, 1932, WITH MR. H. R. BALLANTYNE AND MR. L. W. HAMILTON, OF THE BAHREIN PETROLEUM COMPANY.

MR. BALLANTYNE and Mr. Hamilton, of the Bahrein Petroleum Company, called with reference to our two letters of the 8th August.

With regard to the letter concerning the revision of Clause IX of the Concession Agreement, they wanted to know what had happened. I told them that the Resident had been informed that there was no objection to the extension of their concession for one year, and, when they said that they did not think one year would be enough, I pointed out that they were fully at liberty to apply for an additional extension, and suggested that they should do so stating the reasons fully, and that they should put up the application locally but send us a reasoned letter which we could consider here and send out to the Resident.

I was careful to explain that I could not commit anybody as to whether the further extension would be granted, and in particular could not commit the Shaikh of Bahrein.

Mr. Hamilton said that they had no objection whatever to the principle of the measurement of the oil. In fact they fully agreed that some such procedure was necessary, but they did not particularly like the form of words adopted. He said that they were quite prepared to agree that the oil should be measured in accordance with the general oilfield practice, and that the Shaikh or his representative should have the right to check the measurements, but he foresaw that there might be some technical difficulty in regard to the method to be adopted, in particular if somebody suggested the use of unreliable meters or something of that kind, which might lead to considerable friction which he was anxious to avoid. I suggested that they should put their views into writing and that we could then consider the whole business after referring it to the Petroleum Department, by whose advice we must of course be guided on such a technical matter. They saw this point of view and agreed to do so.

They asked whether they were to understand that the addition of these provisions was to be a sort of *quid pro quo* for the amendment of Clause IX, adding that they didn't really object to Clause IX as it stood though it was admittedly unsatisfactory. After looking at the Petroleum Department letter of the 20th June, I said that our intention was to supply an admitted want in the concession which didn't contain any provision for measurement at all, and that we thought this would be a suitable opportunity. They agreed that this was only reasonable.

The upshot then is that they will write giving their views as regards the draft Clause and making such general comments as they think suitable. I gave them to understand that other Departments will have to be consulted and that some delay is inevitable, and that in the end the thing will have to go to the Shaikh.

With regard to the other letter, they explained that it had come upon them as rather a bolt from the blue. Our two previous letters had been sent, not to the Bahrein Petroleum Company, but to the Eastern and General Syndicate, and the Syndicate had not passed them on to the Company. I gathered that they were not wedded to Major Holmes but considered that he was *persona grata* with this Office, and therefore they had not raised any question about his various absences from Bahrein or his appointing somebody else to act for him, thinking that this had all been arranged between Major Holmes and the Colonial Office (or so they said). If Major Holmes is removed they asked who would be acceptable, to which I said that I could not answer that question, that I thought it would be for them to put up names and, in any case, the authorities in the Gulf would have to be consulted.

I undertook to let Mr. Ballantyne have copies of the previous letter about Major Holmes and have done so accordingly.

J. E. W. FLOOD,
15th August, 1932.

C. 98035/32 [No. 79].

No. 35.

THE BAHREIN PETROLEUM COMPANY, LIMITED, to COLONIAL OFFICE.

[*Answered by No.* 39.]

SIR, 19, Moorgate, London, E.C.2, 18th August, 1932.

I AM directed by this Company to refer to the interview accorded by Mr. J. E. W. Flood to Mr. Lloyd N. Hamilton and myself on Friday last the 12th instant,* and in accordance with the suggestion then made by Mr. Flood, I have to record that you gave us to understand the Shaikh of Bahrein has no objection to the extension to the 2nd of December, 1933, of the period covered by the prospecting licence granted by him under date the 2nd of December, 1930, to this Company, and that His Majesty's Government's approval has been formally communicated by cable to His Majesty's Political Resident in the Persian Gulf on the 5th of August, 1932.

It is now assumed by this Company that, in due course, the Shaikh of Bahrein will, as a matter of form, communicate to this Company his consent above referred to.

I am, &c.,
H. R. BALLANTYNE.

C. 98035/32 [No. 80].

No. 36.

MR. H. R. BALLANTYNE (BAHREIN PETROLEUM COMPANY, LIMITED)

to

MR. J. E. W. FLOOD (COLONIAL OFFICE).

[*Answered by Nos.* 40 *and* 47.]

DEAR SIR, 19, Moorgate, London, E.C.2, 18th August, 1932.

I HAVE to refer to your letter dated the 8th of August, 1932,† addressed to me under reference relative to the revision of Clause IX of the Second Schedule of the Company's Concession Agreement and the addition of certain provisions for measuring and checking the amount of oil produced for the purpose of royalty assessment, and to the discussion thereon between you, Mr. Lloyd N. Hamilton and myself on Friday last, the 12th instant.*

I am directed by this Company to inform you it is pleased to note there is no objection on the part of His Majesty's Government to the revisions desired by this Company for the removal of the existing ambiguity in the said Clause IX and to state that, in principle, the addition of adequate provisions for the measuring and checking of the amount of oil produced for the purpose of royalty assessment is acceptable to this Company.

There are, however, certain modifications which it is desired, for the reasons given to you at our said interview, to effect in the draft of the provisions accompanying your letter under reply, and I now forward a copy of your draft showing such modifications in italics, deletions being shown thus [ ].

I have also to suggest that these new provisions concerning the measuring and checking of oil produced for the purpose of royalty assessment should be added to Clause VIII of the Third Schedule to this Company's Concession Agreement rather than to Clause IX of the Second Schedule. It is thought that by this means the possibility of ambiguity which might otherwise arise will be avoided. This should not occasion any difficulty in connexion with the ascertainment of what, if any, royalty is payable to the Shaikh of Bahrein under the provisions of the revised Clause IX of the Second Schedule.

This Company will now be pleased to hear that the additional provisions for measuring and checking oil produced for the purpose of royalty assessment, as modified by this Company, and the foregoing suggestion as to their being added to Clause VIII of the Third Schedule, are approved and that the matter will now be placed on an official footing and that the British authorities in the Persian Gulf will be requested, without delay, to advise the Shaikh of Bahrein to conclude the necessary Supplemental

* *See* enclosure 1 in No. 34. † No. 33.

Agreement with the Company. Upon hearing from you that this is so, I will have the draft of such Supplemental Agreement put in hand immediately and forwarded for approval to you, or as you may direct.

Inasmuch as you have assured us that the proposed revision of Clause IX of the Second Schedule has been approved and is not conditional upon the acceptance by this Company of the proposed provisions for measuring and checking oil and seeing that the Company are in agreement, in principle, with the necessity for making provision for the measuring and checking of oil produced for the purpose of royalty assessment and seeing also that some time must necessarily elapse before the Supplemental Agreement giving effect to all necessary modifications to the Concession Agreement is formally completed, this Company rests assured that His Majesty's Government will now inform the Shaikh of Bahrein of its approval, if it has not already done so.

I am, &c.,
H. R. BALLANTYNE.

Enclosure in No. 36

SUGGESTED PROVISIONS FOR MEASURING CRUDE OIL WON.

(1)

Measurement of Production.

For the purposes of such royalty payments the Company shall measure, [*in*] *by* a method [*approved from time to time by the Shaikh or his authorized representative (which approval shall not be unreasonably withheld)*] *customarily used in good oil-field practice* all crude oil won and saved, and [*the duly authorized representative of*] the Shaikh *by his representative duly approved by the Political Resident of the Persian Gulf* shall have the right [*(1)*] to examine such measuring; [*(2)*] *and* to examine and test *whatever* [*the*] appliances *may be* used for *such* measuring. If, upon such examination or testing, any such appliance shall be found to be out of order, the Shaikh [*or his representative*] may require that the same be put in order by, and at the expense of, the Company, and if such requisition be not complied with in a reasonable time the Shaikh [*or his representative*] may cause the said appliance to be put in order, and may recover the expense of so doing from the Company, and if upon such examination as aforesaid any error shall be discovered in any such appliance, such error shall, if the Shaikh [*or his representative*] so decide after hearing the Company's explanation, be considered to have existed for three calendar months previous to the discovery thereof, or from the last occasion of examining the same in case such occasion shall be within such period of three calendar months, and the royalty shall be adjusted accordingly. If the Company desire to alter any measuring appliance it shall give reasonable notice to the Shaikh or his representative, to enable a representative of the Shaikh to be present during such alteration.

Production Accounts.

The Company shall keep full and correct accounts of all crude oil measured as aforesaid and the [*duly authorized*] *said* representative of the Shaikh shall have access at all reasonable times to the books of the Company containing such accounts, and shall be at liberty to make extracts therefrom, and the Company shall, at its own expense, within three calendar months after the end of each calendar year, deliver to the Shaikh an abstract of such accounts for such year and a statement of the amount of royalty due to the Shaikh for such year. Such accounts shall be treated as confidential by the Shaikh, with the exception of such figures therein as he may [*think it necessary*] *be required by law* to publish.

C. 98035/32 [No. 81].

No. 37.

THE BAHREIN PETROLEUM COMPANY LIMITED to COLONIAL OFFICE.

[*Answered by Nos.* 38 *and* 48.]

SIR, 19, Moorgate, London, E.C.2, 23rd August, 1932.

I AM directed by this Company to refer to the conversation at the Colonial Office on Friday, the 12th instant,* between Mr. J. E. W. Flood, Mr. Lloyd N. Hamilton

* *See* enclosure 1 in No. 34.

and myself, when Mr. Flood informed us that whilst (contrary to the understanding of this Company conveyed to it by the Company's Local Representative in Bahrein), the agreed extension of the prospecting licence is limited to one year, there is no reason why this Company should not ask immediately for the extension now of the prospecting licence from the 2nd of December, 1933, to the 2nd of December, 1934.

From the experience already gained by this Company during the course of its exploration and prospecting activities, it is evident that the extent of the structure and its productivity will be determinable entirely by drilling operations.

In spite of a thorough geological survey of all the evidence available, it is impossible to state that the entire structure will be productive or that the existence of oil will be limited to any particular portions or portion of such structure.

It follows that the period for prospecting now granted is totally inadequate to enable the Company to prospect the territory in an orderly manner so as to enable the Company to select intelligently the area to be comprised within the Mining Lease.

Having regard to the foregoing, this Company cannot view without disquietude a possibility of being limited, in point of time, to a period which it seriously considers is insufficient for its needs. Accordingly, it feels bound to emphasize the practical necessity of having at its disposal for further prospecting, the full term of two years, expiring the 2nd of December, 1934, previewed by the prospecting licence, and I am therefore directed by the Company to ask that His Majesty's Government advise the Shaikh of Bahrein to grant an extension of the prospecting licence to the 2nd of December, 1934.

Needless to say, if any assurance is required that such an extension would not occasion a slowing up of the Company's prospecting activities, such an assurance will be given by the Company.

The Company trusts that immediate and favourable consideration will be given by His Majesty's Government to the foregoing request for an extension of the prospecting licence to the 2nd of December, 1934.

I am, &c.,
H. R. BALLANTYNE.

C. 98035/32 [No. 82].

No. 38.

COLONIAL OFFICE to THE BAHREIN PETROLEUM COMPANY, LIMITED.

GENTLEMEN, Downing Street, 30th August, 1932.

I AM directed to acknowledge the receipt of your letter of the 23rd August,* and to inform you that other Departments of State are being consulted with regard to your proposal that the extension of your prospecting licence should be continued for a further year, up to the 2nd of December, 1934. A further letter will be addressed to you as soon as the views of the interested Departments have been obtained.

I am, &c.,
J. E. W. FLOOD.

C. 98035/32 [No. 83].

No. 39.

COLONIAL OFFICE to THE BAHREIN PETROLEUM COMPANY, LIMITED.

GENTLEMEN, Downing Street, 30th August, 1932.

I AM directed to refer to your letter of the 18th of August,† and to inform you that a communication has been addressed to the Political Resident at the Persian Gulf requesting him to arrange for the Shaikh of Bahrein to intimate formally his agreement to the extension of your prospecting licence to the 2nd of December, 1933.

I am, &c.,
J. E. W. FLOOD.

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* No. 37. † No. 35.

29

C. 98035/32 [No. 84].

No. 40.

MR. J. E. W. FLOOD (COLONIAL OFFICE)

to

MR. H. R. BALLANTYNE (BAHREIN PETROLEUM COMPANY, LIMITED).

[*Answered by No. 44.*]

DEAR MR. BALLANTYNE, Downing Street, 30th August, 1932.

WITH reference to your letter of the 18th of August,* we are consulting the other Departments of State with regard to the revision of Clause IX of the second Schedule and the provisions required for measuring and checking the amount of oil. It seems to me that something will have to be added to the second Schedule anyhow. Under Clause IX as it stands you are bound to apply for a mining lease in respect of each area (what the "area" means is nowhere stated) as soon as 100 tons of oil has been got out of a single borehole. If the area is over the whole territory of Bahrein then your operations would be seriously handicapped by strict insistence on the Clause as it stands. The provisions for measurement might very well, as you suggest, be put into the mining lease, but it would surely be best to amend Clause IX so as to make it run something like "the right to win up to 100 tons of oil free of payment, and further quantities of oil on payment of the royalty per ton provided for in Article VIII of the mining lease and calculated in the manner laid down in that Article." You will be hearing from us officially on the subject, but I think it best to send you this semi-official acknowledgment of your letter.

Yours, &c.,
J. E. W. FLOOD.

C 98035/32 [No. 85].

No. 41.

COLONIAL OFFICE to PETROLEUM DEPARTMENT.

[*Answered by No. 46.*]

SIR, Downing Street, 30th August, 1932.

WITH reference to your letter of the 20th of June,† and previous correspondence concerning the Bahrein Oil Concession, I am directed to transmit to you, to be laid before the Secretary for Mines, the enclosed copy of an official letter‡ from the Bahrein Petroleum Company in which they suggest that the extension of one year already agreed to in respect of their prospecting licence should be extended for a further year, *i.e.*, to the 2nd of December, 1934.

2. As was explained in the despatch from the Political Resident in the Persian Gulf of the 16th of May,§ the Shaikh of Bahrein was only willing to grant an extension for one year, but if it appears to the Secretary for Mines that an extension of two years is in fact reasonable, then it would seem inadvisable to attempt to restrict the extension to the one year already agreed upon. In that event, and subject to the concurrence of the other interested Departments, it is proposed to inform the Resident that if the Company should apply for a further extension His Majesty's Government have no objection to the Shaikh agreeing to it, and the Company would be informed accordingly and instructed to submit their application to the Shaikh through their local representative.

3. Copies of this letter are being sent to the Foreign Office, India Office, and Admiralty.

I am, &c.,
J. E. W. FLOOD.

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* No. 36. † No. 28. ‡ No. 37. § No. 26.

C. 98035/32 [No. 86].

No. 42.

COLONIAL OFFICE to PETROLEUM DEPARTMENT.

[*Answered by No.* 46.]

SIR, Downing Street, 30th August, 1932.

WITH reference to your letter of the 20th June,* and previous correspondence on the subject of the Bahrein Oil Concession, I am directed to transmit to you, to be laid before the Secretary for Mines, the enclosed copy of a semi-official letter† from the Bahrein Petroleum Company submitting a revised draft of the suggested provisions for measuring crude oil won at Bahrein.

2. It will be observed that the Company are of opinion that the suggested modifications should be added to Clause VIII of the third Schedule to the Agreement (the mining lease) rather than to Clause IX of the second Schedule, and that the Company do not anticipate that any difficulty need be occasioned in connexion with the ascertainment of the royalty payable to the Shaikh under the provisions of the second Schedule. It would appear, however, advisable that some provision should be inserted in Clause IX of the second Schedule or in some other place, as may be considered most convenient. A suitable formula would appear to be to add to the first sentence of the proposed new Clause IX the words " on payment of the royalty per ton provided for in Article 8 of the mining lease and calculated in the manner laid down in that Article."

3. I am to request that the Secretary for Mines will be good enough to furnish his observations on the Company's proposal.

4. Copies of this letter are being sent to the India Office, the Foreign Office, and Admiralty.

I am, &c.,
J. E. W. FLOOD.

C. 98035/32 [No. 87].

No. 43.

THE SECRETARY OF STATE to THE POLITICAL RESIDENT.

[*Answered by No.* 14.]

(Confidential.)

SIR, Downing Street, 30th August, 1932.

I HAVE the honour to refer to my telegram No. 6 Confidential of the 5th of August‡ and to your Confidential despatch No. 18 of the 16th of May,§ and to inform you that there is no objection to the proposal that the prospecting licence granted to the Bahrein Petroleum Company shall be extended for a period of one year.

2. I now enclose for your information a copy of a letter‖ from the Company, from which you will observe that they are now awaiting, as a matter of form, an official intimation of the Shaikh of Bahrein's consent. I presume that the Shaikh will communicate his agreement to the Company in due course.

3. I take this opportunity to inform you that the Company have stated their intention of applying for a further extension of the prospecting licence for another year. The interested Departments are being consulted and a further communication will be sent to you on this point in due course.

I have, &c.
(for the Secretary of State),
R. W. HAMILTON.

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* No. 28. † No. 36. ‡ No. 32. § No. 26. ‖ No. 35.

C. 98035/32 [No. 92].

No. 44.

THE BAHREIN PETROLEUM COMPANY, LIMITED, to COLONIAL OFFICE.

[*Answered by No.* 47.]

SIR, 19, Moorgate, London, E.C.2, 5th September, 1932.

I HAVE to acknowledge receipt of Mr. J. E. W. Flood's letter addressed to me under date the 30th August, 1932.*

This Company is quite ready to accede to Mr. Flood's suggestion of a further modification of Clause IX of the second Schedule. It thinks, however, that the Clause would be clearer if it read thus :—

> " The right to win up to 100 tons of oil free of payment and further quantities of oil on payment of a royalty of Rs. 3 : 8 : 0 per ton of net crude oil got and saved (*i.e.*, after deducting water and foreign substances and oil required for the customary operations of the Company's installations in the Shaikh's territories)."

Then would follow as a sub-clause a copy of the new Measurement Clause for the Mining Lease.

I assume you would desire to retain the paragraph reading :—

> " The privileges in this Clause may only be enjoyed by the Company during the period for which the prospecting licence or its extensions are granted or until the Company declare that oil has been discovered in commercially exploitable quantities, whichever is the shorter "?

If so, this would come on as a second sub-clause. This paragraph does not seem to me to have now any particular meaning or significance, and I suggest it might be dropped.

I should be glad to hear that the foregoing suggestions are acceptable to His Majesty's Government.

I would not agree with Mr. Flood's interpretation of the existing Clause IX of the second Schedule if the point came up for discussion.

I am, &c.,
H. R. BALLANTYNE.

C. 98035/32 [No. 96].

No. 45.

COLONIAL OFFICE to PETROLEUM DEPARTMENT.

[*Answered by No.* 46.]

SIR, Downing Street, 27th September, 1932.

I AM directed by Secretary Sir Philip Cunliffe-Lister to refer to the letter from this Office of the 30th of August,† on the subject of Bahrein Oil Concession at Bahrein, and to transmit to you, to be laid before the Secretary for Mines, the enclosed copy of an official letter‡ from the Company together with a copy of the semi-official note* to which it refers.

2. So far as this Department is concerned, the alteration suggested by the Company, which takes the form of inserting the actual amount of royalty payable instead of a reference to Clause VIII of the Mining Lease, appears to be unobjectionable, but I am to request that the views of the Secretary for Mines may be obtained upon the subject.

3. Copies of this letter are being forwarded to the Foreign Office, India Office, and Admiralty.

I am, &c.,
J. E. W. FLOOD.

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* No. 40. † No. 42. ‡ No. 44.

C. 98035/32 [No. 106].

No. 46.

PETROLEUM DEPARTMENT to COLONIAL OFFICE.

(Mines Department), Dean Stanley Street, Millbank,
Sir, Westminster, London, S.W.1, 13th October, 1932.

I am directed by the Secretary for Mines to refer to Mr. Flood's letters of 30th August,* 27th September,† and 6th October,‡ enclosing copies of letters from the Bahrein Petroleum Company in regard to the terms of their concession in Bahrein, and to request you to convey to Secretary Sir Philip Cunliffe-Lister the following observations thereon.

2. The Secretary for Mines has no objection to the amendments proposed by the Company to the suggested provisions for measuring crude oil won, with the exception that in consequence of revisions suggested by the Company, he considers that the following words should be added at the end of the revised clause—" In any event the Shaikh shall have the right to publish particulars of the total annual output of crude oil and natural gas."

3. Consideration has been given to the further suggestions made in the letter from the Bahrein Petroleum Company of 5th September, 1932,§ as to the amendment of Clause IX of the Second Schedule to the Concession and subject to the following condition, I am to say that the Secretary for Mines is prepared to concur in the suggestions, including the deletion of the paragraph which reads " The privileges, &c., ... shorter." Under the present form of Clause IX the Shaikh had the right to require the Company to apply for a Mining Lease in respect of an area as soon as 100 tons of oil had been won from one borehole. While it is now agreed that this provision is not entirely satisfactory and an amendment of the Article is desirable, the position under the revised Article will be that the Company might have an appreciable production of oil without having at once to take out a Mining Lease. On this production they will pay royalty, but it is considered that it should be made clear that the payments in respect of royalty will be in addition to the annual payment of Rs. 10,000 provided for in Article VI of the main Agreement. The position would be met if at the beginning of the last sentence of that Article the following words were inserted :—

> " Except for payments in respect of royalty which shall become payable under Article IX of the Second Schedule to this Agreement in respect of oil won in excess of 100 tons."

4. A consequential amendment of the Mining Lease in regard to this point ought also to be carried out, because until the Company make their declaration that oil is being produced in commercial quantities the dead rent payable under the Mining Lease, is the same as that payable under the prospecting licence, and unless the Mining Lease and prospecting licence are brought into line the position of the Shaikh might be worse in this respect under the Mining Lease, than under the prospecting licence. Once the Company have declared that oil has been found in commercial quantities they undertake, under Article IX of the Lease, that the amount received by the Shaikh in respect of royalty shall not be less than Rs. 30,000 per annum. It will also be necessary to provide in the Mining Lease a clause for the measurement of oil similar to that now suggested for the prospecting licence.

5. Certain other alterations may be necessary when the Mining Lease is actually granted, and I am to suggest that it would perhaps be sufficient if the Company were informed at this stage that His Majesty's Government concur in the proposed amendments (subject to the alterations suggested above), on the understanding that it would be necessary to make certain consequential amendments to the Mining Lease when this is granted to the Company.

6. As regards the proposal that the prospecting licence should be extended for a further year, *i.e.*, to the 2nd December, 1934, it will be recalled that by the letter of the 20th June last‖ from this Department, the Secretary for Mines agreed that an extension of one year might be given which could be reviewed later when it was seen what progress the Company had been able to make. This would give the Company until 2nd December, 1933, for their prospecting operations, and the Secretary for Mines is reluctant to agree to any further extension at present until it is seen what progress the Company has been able to make. The Company do not appear to have

* Nos. 41 and 42. † No. 45. ‡ C. 98035/32 [No. 102] : not printed.
§ No. 44. ‖ No. 28.

furnished any detailed report on their operations or indicated what future drilling programme they have in mind. The Secretary for Mines considers, therefore, that in view of the length of time which has already elapsed since the Agreement was entered into, it would be preferable to inform the Company that any question of the further extension of the period of their prospecting licence must be reviewed again later in, say, April, 1933, and that then detailed information of the progress they have made, and of their immediate drilling programme should be supplied with any further application they may make.

Copies of this letter are being sent to the Foreign Office, India Office, and Admiralty.

I am, &c.,
F. C. STARLING.

C. 98035/32 [No. 109].

No. 47.

COLONIAL OFFICE to MR. H. R. BALLANTYNE.

[*Answered by No.* 49.]

Sir, Downing Street, 26th October, 1932.

I am directed by Secretary Sir Philip Cunliffe-Lister to refer to your letter of the 5th of September* and previous correspondence, regarding the application of the Bahrein Petroleum Company for the revision of Article IX of the second Schedule to their Concession Agreement and the proposed addition of provisions for measuring and checking the amount of oil produced for the purpose of royalty assessment.

As regards the provisions for the measuring and checking of oil, His Majesty's Government are prepared to accept the revised draft provisions which accompanied your letter of the 18th August,† subject to the addition at the end of the following words :—

> " In any event the Shaikh shall have the right to publish particulars of the total annual output of crude oil and natural gas."

3. Subject to the observations contained in paragraph 4 below, His Majesty's Government are also prepared to concur in the further amendments to Clause IX of the second Schedule suggested in the Company's letter of the 5th September, including the deletion of the paragraph beginning " The provisions in this Clause, &c., ..."

4. It is possible that under Article IX, revised as at present contemplated, the Company might be in a position to produce an appreciable quantity of oil without taking out a Mining Lease. On this quantity of oil a royalty will be payable, but it is considered that it should be made clear that the payments in respect of royalty will be in addition to the annual payment of Rs. 10,000 provided for in Article VI of the main Agreement. To this end it is suggested that the following sentence should be inserted at the beginning of the last sentence of that Article :—

> " Except for payments in respect of royalty which shall become payable under Article IX of the second Schedule to this Agreement in respect of oil won in excess of 100 tons . . . ."

5. The amendment to Article VI of the main Agreement, and the revision of Article IX of the second Schedule in the manner now proposed, will probably entail certain consequential amendments to the Mining Lease, but it is considered that the exact terms of these can be more conveniently considered when that Mining Lease is being granted to the Company. In any case it will be necessary to provide in the Mining Lease a clause for the checking and measurement of oil similar to that now to be included in the prospecting licence.

6. On hearing that your Company is prepared to agree to the further amendments suggested in this letter, the necessary steps will be taken to inform the Shaikh of Bahrein of the views of His Majesty's Government in the matter.

I am, &c.,
J. E. W. FLOOD.

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* No. 44. † No. 36.

C. 98035/32 [No. 110].

No. 48.

COLONIAL OFFICE to MR. H. R. BALLANTYNE.

SIR, Downing Street, 26th October, 1932.

I AM directed by Secretary Sir Philip Cunliffe-Lister to refer to your letter of the 23rd August* and to subsequent correspondence, regarding the application of the Bahrein Petroleum Company for an extension of their prospecting licence from the 2nd December, 1933, to the 2nd December, 1934, and to inform you that His Majesty's Government are not at present prepared to advise the Shaikh of Bahrein to grant an extension of the licence beyond the 2nd December, 1933.

2. His Majesty's Government will, however, be willing to reconsider the question at a later time, say in April, 1933, should the Company still desire a certain extension of their prospecting licences, but, in that case, detailed information of the progress made and of the Company's immediate drilling programme should accompany any application of this nature that may be made.

I am, &c.,
J. E. W. FLOOD

C. 98035/32 [No. 138].

No. 49.

THE BAHREIN PETROLEUM COMPANY, LIMITED, to COLONIAL OFFICE.

SIR, 19, Moorgate, London, E.C.2, 25th November, 1932.

I WOULD refer further to your letter of the 26th October, 1932.†

2. In regard to paragraph 2 of such letter, this Company cannot concede to the Shaikh of Bahrein the right to publish particulars of the total annual output of crude oil and natural gas. In the view of this Company, it is felt that such a provision might, in certain circumstances, embarrass it very seriously in its trading operations, as giving to competitors information which would be harmful to the trading interests of this Company.

3. This Company raises no objection to the Shaikh of Bahrein publishing such figures as he may be required by law to publish from time to time. It was to this end that I was instructed to add to the so-called Measurement Clause, the words:—

> "Such accounts shall be treated as confidential by the Shaikh, with the exception of such figures therein as he may be required by law to publish."

In view of the foregoing explanation, it is hoped that the asked-for addition at the end of the provisions for the measuring and checking of oil, will be withdrawn.

4. Concerning Clause 4 of your letter under reply, the Company agrees the proposed addition, reading:—

> "Except for payments in respect of royalty which shall become payable under Article IX of the second Schedule to this Agreement in respect of oil won in excess of 100 tons . . ."

to Article VI of the main Agreement.

5. As to Clause 5 of the said letter, it is appreciated that the agreed provisions for measuring and checking of oil must be inserted also in the third Schedule, *i.e.*, in the form of Mining Lease to be granted when the time comes for that.

6. This Company, however, views with alarm the suggestion contained in such letter that the exact terms of certain consequential amendments to the Mining Lease, which will probably be entailed by the adoption of the said provisions for measuring and checking of oil, be considered when the Mining Lease is being granted to the Company.

7. This Company feels that although such is not the contention of His Majesty's Government, this would, in fact, leave the form of the Mining Lease open to discussion at the time the Company proposed to take it up. This, whether it be in the favour of the Company or not, certainly involves present uncertainty as to the exact form of the Mining Lease. From a practical working point of view, such uncertainty cannot be allowed to prevail. In the view of this Company, there are no consequential

* No. 37. † No. 47.

alterations and you are asked to have the draft examined in order that there may be no question outstanding on this point.

8. This Company suggests that the Modifying Agreement be now put into draft, settled by Mr. J. H. Stamp, and then sent to your Legal Department, to the end that when such Department has had an opportunity of considering it, we should meet and conclude it so far as His Majesty's Government is concerned.

I am, &c.,
H. R. BALLANTYNE.

C. 98035/32 [No. 145].

No. 50.

THE BAHREIN PETROLEUM COMPANY, LIMITED, to COLONIAL OFFICE.

[*Answered by No.* 59.]

SIR, 19, Moorgate, London, E.C.2, 2nd December, 1932.

WITH a view to saving time, I have had the modifying Agreement, referred to in the last paragraph of this Company's letter to you of the 25th November, 1932,* settled by Mr. J. H. Stamp, and I enclose six prints† of it herewith.

It will be seen that the alterations covered by the draft Agreement are all of those covered by your letter to this Company of the 26th October, 1932,‡ excepting the words asked for in paragraph 2 of such letter.

In instructing Mr. J. H. Stamp, care was taken to draw his attention to the possibility of consequential alterations to the form of Mining Lease, being Schedule 3 to the Concession Agreement.

I trust it will be possible for us to arrange an appointment during the course of next week for me to consider this draft with your Legal Department.

I am, &c.,
H. R. BALLANTYNE.

C. 98035/32 [No. 140].

No. 51.

COLONIAL OFFICE to PETROLEUM DEPARTMENT.

[*Answered by No.* 57.]

SIR, Downing Street, 3rd December, 1932.

I AM directed by Secretary Sir Philip Cunliffe-Lister to refer to the letter from this Department of the 28th October,§ enclosing a copy of a letter to the Bahrein Petroleum Company regarding the Company's application for the revision of Article IX of the second Schedule to their Concession Agreement, and to transmit to you, to be laid before the Secretary for Mines, a copy of the reply* which has been received from the Company.

2. I am to state that, unless the Secretary for Mines feels unable to accept the proposal in the third paragraph of Mr. Balantyne's letter, it is now proposed to instruct the Political Resident in the Persian Gulf to arrange for a supplementary agreement on the agreed lines, to be concluded between the Shaikh of Bahrein and the Bahrein Petroleum Company.

3. It will be seen from paragraphs 6 and 7 of their letter that the Company are reluctant to adopt the suggestion that any consequential amendments to the Mining Lease can more conveniently be considered when the Mining Lease is being granted to the Company. Sir Philip Cunliffe-Lister is disposed to regard the Company's attitude on this point as not unreasonable, and he would be glad to be furnished with the observations thereon of the Secretary for Mines.

4. Copies of this letter are being sent to the Foreign Office, India Office, and Admiralty.

I am, &c.,
J. E. W. FLOOD.

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* No. 49. † Not reprinted. ‡ No. 47. § C. 98035/32 [No. 115]: not printed.

C. 98035/32 [No. 155].

No. 52.

COLONIAL OFFICE to PETROLEUM DEPARTMENT.

[*Answered by No.* 57.]

Downing Street, 12th December, 1932.

SIR,

I AM directed by Secretary Sir Philip Cunliffe-Lister to refer to the letter from this Department of the 3rd of December,* on the subject of the Bahrein Petroleum Company's concession, and to transmit to you the enclosed copy of a letter† which has been received from the Company together with two copies of the printed draft supplementary Agreement‡ enclosed therein.

2. Sir Philip Cunliffe-Lister would be glad to have the observations of the Secretary for Mines on the subject of the draft Agreement which, as stated in the Company's letter, embodies the various alterations which have been agreed upon in other correspondence, except for the provision that the Shaikh shall have the right to publish particulars of the total annual output. It will, however, be observed that though the Company object to that provision, they have no objection to his publishing whatever figures may be required by law, or to his having access to the accounts confidentially.

3. In the circumstances it would appear unnecessary to invite Mr. Ballantyne to a Conference to consider the draft, and I am to suggest that it may be accepted and that the Company should be informed that they are now at liberty to proceed with the conclusion of the Agreement in this form.

4. Copies of this letter are being sent to the Foreign Office, India Office, and the Admiralty.

I am, &c.,
J. E. W. FLOOD.

C. 98035/32 [No. 161].

No. 53.

THE BAHREIN PETROLEUM COMPANY, LIMITED, to COLONIAL OFFICE.

19, Moorgate, London, E.C.2, 15th December, 1932.

SIR,

I WOULD refer to my call upon Mr. J. E. W. Flood this morning.

I enclose copy of a letter dated the 3rd December, 1932, addressed by Mr. E. A. Skinner to Major Frank Holmes. This letter evidences the very real need for an immediate settlement of the draft Agreement now receiving the consideration of His Majesty's Government.

With regard to the point brought forward by Mr. Flood, that it is possible for the Shaikh of Bahrein to make laws requiring publication of accounts, this Company is perfectly willing to rest upon a fair interpretation of the provision concerning accounts which it has already accepted.

I am, &c.,
H. R. BALLANTYNE.

Enclosure in No. 53.

Bahrein, 3rd December, 1932.

DEAR SIR,

I HAVE received the following telegram from Mr. R. C. Stoner:—

"Advise best price for f.o.b. Bahrein fuel oil for steam outfit and point of delivery."

to which I answered:—

"Facilities necessary and difficulties connected therewith make importation fuel oil out of question. Suggest using electricity until modification Clause IX allows use of Bahrein crude oil, or have L. N. Hamilton arrange with Colonial Office use of Bahrein crude oil pending alteration of Clause IX."

There is one steam-drilling outfit now *en route*, and possibly another will be shipped shortly, or is already *en route*. It will take about 20 barrels of oil per

* No. 51. † No. 50. ‡ Not reprinted.

24 hours to furnish fuel for each boiler setting, and it is obviously too expensive a proposition to take delivery of fuel oil 2½ or 3 miles off shore and then haul it to our locations in trucks.

We had intended using our own crude oil for fuel, but this will be impossible pending proper alteration of Clause IX, or unless Hamilton can make some arrangement with the Colonial Office, which will allow the use of crude oil from our wells pending the clarification of Clause IX.

In the meantime, I propose to use electricity, which will be much slower in moving from one location to another than would steam equipment. Also there will be no possibility of running two strings of tools, because our Company would not be willing to ship in another expensive Diesel electric outfit at this time.

You can plainly see from the above that the delay in making certain desired alterations in the Contract will slow up our work considerably. I suggest that you point out this fact to the Shaikh and the Political people in the Persian Gulf.

Yours, &c.,
E. A. SKINNER.

Major Frank Holmes,
Manama, Bahrein.

C. 98035/32 [No. 162].

No. 54.

MR. J. G. LAITHWAITE (INDIA OFFICE)

to

MR. J. E. W. FLOOD (COLONIAL OFFICE).

[*Answered by No.* 55.]

India Office, Whitehall, S.W.1, 15th December, 1932.

MY DEAR FLOOD,

I WRITE on a small point arising out of Colonial Office letter of 12th December,* to the Petroleum Department about the Bahrein Oil Concession. We see from the correspondence that the Company continue to press for the insertion in the second of the new articles proposed to be added to Schedules 2 and 3 of the Prospecting Agreement of their phrase "Such accounts shall be treated as confidential by the Shaikh with the exception of such figures therein as he may be required by law to publish."

We should have preferred the wording suggested in the Colonial Office letter of 26th October† to Ballantyne, but the point is not perhaps of vital importance and need not be pressed. At the same time, while the Shaikh in a matter like this would no doubt act under advice, he is in fact an independent ruler, and might at a pinch pass an Order under which he would be required to publish the figues in full, so that it is doubtful to what extent the Company are really effectively safeguarding themselves by insisting on the wording in question. This being the case, while difficulty need not perhaps be anticipated, it might be as well, if it is agreed to accept the Company's wording, to make the position clear informally to Ballantyne, so that in the (we hope most improbable) event of a hitch at any later stage, the Americans will not be able to suggest that we have been disingenuous in our dealings with them.

I am sending copies of this letter to Starling, Warner, and Moore of the Admiralty.

Yours, &c.,
J. G. LAITHWAITE.

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* No. 52. † No. 47.

C. 98035/32 [Nos. 167-170].

No. 55.

MR. J. E. W. FLOOD (COLONIAL OFFICE)

to

[1] MR. C. F. A. WARNER (FOREIGN OFFICE).
[2] MR. J. G. LAITHWAITE (INDIA OFFICE).
[3] COMMANDER J. W. RIVETT-CARNOC (ADMIRALTY).
[4] MR. F. C. STARLING (PETROLEUM DEPARTMENT).

[*Answered* [4] *by No.* 56.]

Downing Street, 20th December, 1932.

DEAR [WARNER] [LAITHWAITE] [RIVETT-CARNAC] [STARLING],

I AM sending over officially copies of a communication* which I have had from Ballantyne, of the Bahrein Petroleum Company. You will see from that that they are anxious to get ahead, and want to employ the crude oil which they can raise for steam-producing to help out their drilling operations. They are therefore anxious to get the new agreement out of the way so that they can use the crude oil on payment. Will you please, therefore, do whatever may be possible to expedite the reply to the previous letters.

With regard to [*To* [1], [3], and [4]: Laithwaite's] [*To* [2]: your] letter to me of the 15th of December,† I mentioned to Mr. Ballantyne the point that the Shaikh might make regulations requiring him to publish anything or everything, and you will see from Ballantyne's letter that the Company is perfectly willing to stand on the agreement as it is.

I am sending copies of this letter to [*To* [1]: Laithwaite, Starling, and Rivett-Carnac] [*To* [2]: Starling, Warner, and Rivett-Carnac] [*To* [3]: Laithwaite, Starling, and Warner] [*To* [4] Laithwaite, Warner, and Rivett-Carnac].

Yours, &c.,
J. E. W. FLOOD.

C. 98035/32 [No. 171].

No. 56.

MR. F. C. STARLING (PETROLEUM DEPARTMENT)

to

MR. J. E. W. FLOOD (COLONIAL OFFICE).

[*Answered by No.* 60.]

(Mines Department), Dean Stanley Street, Millbank,
Westminster, London, S.W.1, 23rd December, 1932.

DEAR FLOOD,

WITH reference to your semi-official letter of the 20th December,‡ I now enclose our official reply§ to your recent letters on the Bahrein Oil Concession.

I have not dealt in that letter with the suggestion made in Mr. Skinner's letter of the 3rd December‖ that we might agree to their using the oil, now being produced, for the purpose of their operations, pending a settlement of the Supplementary Agreement. On the whole I think we had better try to get that Agreement out of the way, with the alterations I have suggested, because the main point is that they must have this alteration or they have got to pay for the oil they use. This represents a concession to them. I can let you have pretty early in the New Year our other points. One of these will raise again the question of the Shaikh's being allowed to publish figures of output. Although we gave way on this point in regard to the prospecting licence I do not consider that we should accept the view of the Company that their trading interests would be adversely affected by the publication of such figures after they get their Mining Lease. That is another reason why I should prefer not to have the measuring clauses carried through to the Mining Lease now. You will see that

* No. 53. † No. 54. ‡ No. 55. § No. 57. ‖ Enclosure in No. 53.

in the 'Iraq Petroleum Company's Agreement with the 'Iraq Government the Government has the power to publish any of the information made available to them under the Convention which they consider necessary.

I am sending copies of this letter to Laithwaite, Warner and Rivett-Carnac.

Yours, &c.,
F. C. STARLING.

C. 98035/32 [No. 171A].

No. 57.

PETROLEUM DEPARTMENT to COLONIAL OFFICE.

[*Answered by No.* 60.]

(Mines Department), Dean Stanley Street, Millbank,
Westminster, London, S.W.1, 23rd December, 1932.

SIR,

I AM directed by the Secretary for Mines to refer to your letters of 3rd,* 12th† and 20th December,‡ with regard to the revision of the Bahrein Petroleum Company's concession, and to offer the following observations for the information of Secretary Sir Philip Cunliffe-Lister.

2. With regard to the draft Indenture enclosed with Mr. Ballantyne's letter of 2nd December,§ the Secretary for Mines sees no reason why the Agreement to amend the prospecting licence should not now be completed, subject to the following modifications:—

(*a*) The wording of Clause (2) requires amendment by addition of the words "the second Schedule to" after the word "of" in line 2. The Article IX referred to is in the second Schedule (prospecting licence) and not in the main Agreement.

(*b*) It is suggested that the words "and also in Schedule 3 thereof immediately after Article VIII" in lines 3-5 of Clause (3) should be omitted for the reason indicated below.

(*c*) The two new Articles might be numbered IXA and IXB.

With these alterations the Agreement would then deal only with alterations to the prospecting licence, and could be accepted without further delay.

3. As regards the Mining Lease, while on the one hand the Petroleum Department would not wish to press the point that any alterations in the present form should be left to be settled when the Company make their application for such a Lease, they would suggest on the other hand that His Majesty's Government should not accept the position that the form attached to the present Agreement is unalterable. If necessary, it can be pointed out to the Company that they have asked for favourable consideration to be given to them in connexion with their numerous applications for extension of time and upon the matter of the alteration of the prospecting licence which is now under consideration, and the Secretary for Mines sees no reason why the Company should not be prepared to meet the views of the Colonial Office in its capacity of adviser to the Shaikh in regard to reasonable amendments in the form of Mining Lease appended to the original Agreement. As regards these amendments, it will be practicable for the Petroleum Department in the near future to indicate the alterations which it would consider desirable to have made. It is not thought that any of the alterations will be of a character which the Company is likely to find difficulty in accepting.

4. The following points already arise as a result of alterations which have been made or are the subject of the proposals now under discussion:—

(*a*) The clause as regards payment of royalty on amounts of crude oil won in excess of 100 tons which it is now proposed to insert in the prospecting licence should be carried through into Article III of the Mining Lease, and these provisions made applicable until the Company has declared that oil has been found in commercially exploitable quantities and the minimum royalty of 30,000 rupees per annum becomes operative.

(*b*) The measuring clause will have to be inserted. The Company propose that this should be done in the proposed Supplementary Agreement now under consideration, but it is considered preferable to deal with this alone

* No. 51. † No. 52. ‡ C. 98035/32 [No. 166]: not printed. § No. 50.

with the other alterations which are considered necessary in the Mining Lease.

(*c*) The Agreement of June, 1930, as regards the modified form of British Control clause provides that these conditions are to be inserted in the Mining Lease.

(*d*) The Air Ministry in their letter of the 13th May, 1929,* have already asked that provision should be made in the Mining Lease as regards keeping clear a landing ground for aeroplanes on the northern extremity of Bahrein Island.

(*e*) There is also the question whether provision ought not to be made giving the Shaikh the right of pre-emption during emergencies, and requiring that a proportion of the oil should be refined in Bahrein or British territory.

(5) The other points which the Petroleum Department would wish to raise are rather less important in character.

The discussion of these various points may, however, take a certain amount of time, and the Secretary for Mines considers that the Company would be well advised to accept an Agreement modifying the prospecting licence now in order that their operations may be allowed to continue, it being understood that the alterations to the Mining Lease will be taken up with the Company at an early date.

6. Copies of this letter are being sent to the Foreign Office, India Office, and the Admiralty.

I am, &c.,
F. C. STARLING,
Director.

C. 98035/32 [No. 181].

No. 58.

FOREIGN OFFICE to COLONIAL OFFICE.

SIR, Foreign Office, S.W.1, 28th December, 1932.

I AM directed by Secretary Sir John Simon to acknowledge receipt of Colonial Office letter of the 20th December,† regarding the oil concession of the Bahrein Petroleum Company.

2. In reply, I am to state that subject to the concurrence of the other departments concerned Sir John Simon sees no objection to the conclusion by the Company of a Supplementary Agreement with the Shaikh of Bahrein in accordance with the draft enclosed in Colonial Office letter of the 13th December.‡

I am, &c.,
G. W. RENDEL.

C. 98035/32 [No. 173].

No. 59.

COLONIAL OFFICE to THE BAHREIN PETROLEUM COMPANY, LIMITED.

[*Answered by No.* 61.]

GENTLEMEN, Downing Street, 29th December, 1932.

I AM directed by Secretary Sir Philip Cunliffe-Lister to refer to your letter of the 2nd December,§ in which you enclosed printed copies of a draft of the Modifying Agreement suggested in regard to your prospecting licence, and to state that it is generally acceptable to His Majesty's Government, subject to the minor alterations set out below.

* No. 17 in Middle East No. 32. † C. 98035/32 [No. 163]: not printed.
‡ C. 98035/32 [No. 157]: not printed. § No. 50.

2. It is considered advisable that the new Supplementary Agreement should refer to the prospecting licence only, since it is probable that further alterations will be suggested in the Mining Lease, and it would therefore appear desirable that the reference to the third Schedule, which appears in paragraph 3, should be deleted. With regard to Article II it should be noted that the Article IX to which reference is made is in the second Schedule to the Agreement and not in the main Agreement, and accordingly the words " the second Schedule to " should be inserted after the word " of " in line 2 of that Clause.

3. If the Company agree to the amendment of the draft Supplementary Agreement as indicated above, namely, by insertion of the words " the second Schedule to " after the word " of " in line 2 of Clause 2, and the omission of the words " and also in Schedule 3 thereof immediately after Article VIII " in lines 3 to 5 of Clause 3, there is no reason why the Company should not proceed forthwith to conclude the Agreement with the Shaikh, and the Resident in the Persian Gulf will be informed accordingly.

4. I am also to suggest that it would be convenient to number the two new Articles IXA and IXB.

5. As regards the Mining Lease, if and when the time comes to complete it, it is probable that certain modifications may be considered advisable, but it is not thought that any of the alterations which His Majesty's Government would wish to see embodied in the lease will be of a character which the Company is likely to find any difficulty in accepting, and for the present it seems clearly preferable to conclude the Supplementary Agreement with regard to the prospecting licence forthwith in order that the Company's operations may proceed without undue delay. The question of the alterations which will be suggested in the Mining Lease will be taken up with you at an early date.

6. On receipt of information that the modifications in the Supplementary Agreement set out above are acceptable to the Company, the necessary communication will be addressed to the Resident in the Persian Gulf.

I am, &c.,
J. E. W. FLOOD.

C. 98035/32 [No. 174].

No. 60.

MR. J. E. W. FLOOD (COLONIAL OFFICE)

to

MR. F. C. STARLING (PETROLEUM DEPARTMENT).

DEAR STARLING, Downing Street, 29th December, 1932.

MANY thanks for your letter of the 23rd of December,* and for the official letter† about Bahrein oil which it covered. The alterations in the draft Agreement seemed trifling, so I sent off an official letter‡ to Ballantyne, of which I enclose a copy. You will note that I have thought it expedient to add a paragraph warning them that there might be modifications in the Mining Lease. This excited Ballantyne, who came round to see me in a state of panic. He said that the alterations proposed in the draft Agreement were quite reasonable and would be accepted at once, but with regard to possible alterations in the Mining Lease, he would not admit that the Company ought to be placed in the position of having various conditions hurled at them which they could be told to take or to leave. I said that, so far as I could see, it would not be practical politics to hold a pistol at their heads, and that the alterations, which we did not think would be of a very serious character, would obviously have to form a matter of agreement between His Majesty's Government and the Company. This appeared to satisfy him and he will write in any say that he understands accordingly. I mentioned to him points (*a*), (*b*) and (*d*) in paragraph 4 of your official letter, but did not mention (*c*) and (*e*), which can be dealt with later on. I told him that there would be correspondence, but I couldn't be quite sure what form it would take. If they agree to the modifications proposed, as they will do, then I hope

* No. 56. † No. 57. ‡ No. 59.

to get the thing off by air mail this week-end, telling the Resident in the Persian Gulf that His Majesty's Government have no objection to the conclusion of the Supplementary Agreement, subject to the modifications embodied in the correspondence. That should satisfy them.

Yours, &c.,
J. E. W. FLOOD.

C. 98035/32 [No. 180].

No. 61.

THE BAHREIN PETROLEUM COMPANY, LIMITED, to COLONIAL OFFICE.

[*Answered by No.* 63.]

19, Moorgate, London, E.C.2, 30th December, 1932.

SIR,

I HAVE to acknowledge the receipt of your letter of the 29th instant,* and to inform you the alterations to the draft Modifying Agreement suggested by you in your said letter are agreed to by this Company.

The Company understands from your letter that the Modifying Agreement as so altered is acceptable to His Majesty's Government without any condition that modifications are to be made hereafter to the Mining Lease (the form of which is set out in Schedule 3 of the Concession Agreement) and that, therefore, the only purpose of the references in your letter to future alterations or modifications, is to communicate to this Company that at some time hereafter some alterations in the form of the Mining Lease may be proposed by His Majesty's Government. Any alterations so proposed must, naturally, be the subject of negotiation and agreement between the interested parties.

A typographical alteration is necessary in line 15 on page 2 of the draft of the Modifying Agreement, namely, the word "Prospecting" should be removed.

A draft showing the alterations suggested by your letter under reply and this letter, is enclosed herewith.

I am, &c.,
H. R. BALLANTYNE.

Enclosure in No. 61.

INDENTURE.

BETWEEN Shaikh Hamad Bin Shaikh Issa Al Khalifah Shaikh of Bahrein (hereinafter called "the Shaikh") acting on the advice of the British Political Resident in the Persian Gulf of the one part and the Bahrein Petroleum Company Limited (hereinafter called "the Bahrein Company") a Company incorporated under the Laws of the Dominion of Canada of the other part.

Whereas this Indenture is supplemental to the Concession Agreement dated the second day of December One thousand nine hundred and twenty-five and made between the Shaikh of the one part and Eastern and General Syndicate Limited of the other part and now vested by assignment in the Company which agreement has been extended and modified by an Indenture dated the twelfth day of June One thousand nine hundred and thirty and further extended by agreement to the second day of December One thousand nine hundred and thirty-three.

Now this Indenture Witnesseth that it is hereby agreed and declared that the said Concession Agreement shall be further modified in manner hereinafter appearing that is to say:—

1. The words "Except for payments in respect of royalty which shall become payable under Article IX of the second Schedule to this Agreement in respect of oil won in excess of 100 tons" shall be inserted in Article VI of the said Agreement immediately before and so as to qualify the sentence beginning with the words "they shall not be liable to pay any further sums."

2. The following shall be substituted for the existing Article IX of *the second Schedule to* the said Agreement that is to say:—

"IX. The right to win up to one hundred tons of oil free of payment and further quantities of oil on payment of a royalty of Rs. 3.8.0 per ton of net crude oil got and saved (*i.e.*, after deducting water and foreign substances and

* No. 59.

oil required for the customary operations of the Company's installations in the Shaikh's Territories)."

3. There shall be inserted in Schedule 2 of the said [*Prospecting*] Agreement immediately after Article IX [*and also in Schedule* 3 *thereof immediately after Article VIII*] two new Articles as follows:—

"*IXA*. For the purposes of such royalty payments the Company shall measure by a method customarily used in good oilfield practice all crude oil won and saved and the Shaikh by his Representative duly authorized by the Political Resident of the Persian Gulf shall have the right to examine such measuring and to examine and test whatever appliances may be used for such measuring. If upon such examination or testing any such appliance shall be found to be out of order the Shaikh may require that the same be put in order by and at the expense of the Company and if such requisition be not complied with in a reasonable time the Shaikh may cause the said appliance to be put in order and may recover the expense of so doing from the Company and if upon any such examination as aforesaid any error shall be discovered in any such appliance such error shall if the Shaikh so decide after hearing the Company's explanation be considered to have existed for three calendar months previous to the discovery thereof or from the last occasion of examining the same in case such occasion shall be within such period of three calendar months and the royalty shall be adjusted accordingly. If the Company desire to alter any measuring appliance it shall give reasonable notice to the Shaikh or his representative to enable a representative of the Shaikh to be present during such alteration."

"IXB. The Company shall keep full and correct accounts of all crude oil measured as aforesaid and the said representative of the Shaikh shall have access at all reasonable times to the books of the Company containing such accounts and shall be at liberty to make extracts therefrom and the Company shall at its own expense within three calendar months after the end of each calendar year deliver to the Shaikh an abstract of such accounts for such year and a statement of the amount of royalty due to the Shaikh for such year. Such accounts shall be treated as confidential by the Shaikh with the exception of such figures therein as he may be required by law to publish."

Dated 193 .

Shaikh of Bahrein.

Before me,

Bahrein Petroleum Company Limited.

By

Its Attorney-in-Fact.

C. 98035/32 [No. 182].

No. 62.

MR. J. E. W. FLOOD (COLONIAL OFFICE)

to

MR. F. C. STARLING (PETROLEUM DEPARTMENT).

[*Answered by No.* 64.]

DEAR STARLING,

Downing Street, 30th December, 1932.

IN continuation of my letter of the 29th,* I now enclose a copy of the official letter† which we have received from the Bahrein Petroleum Company. You will note that what they say is that they understand that the Modifying Agreement is being negotiated without laying down the express condition that modifications are to be made in the Mining Lease. I think it is quite clear that the position taken up

* No. 60. † No. 61.

by the Company is the correct one, since the Mining Lease is already embodied in the Concession Agreement, and accordingly any alterations must be the subject of negotiation between the parties concerned.

You will also note that Ballantyne has spotted another alteration which should be made in the Modifying Agreement. I enclose for your edification a copy of the Modifying Agreement* with the alterations set out in italics and deletions in square brackets.

We are also sending you officially copies of the despatch which we are sending to the Persian Gulf. The Foreign Office, India Office, and Admiralty have informed us that they have no observations on the correspondence, and the matter has dragged so long that is seems clearly desirable to get it out of the way when we can.

Yours, &c.,
J. E. W. FLOOD.

C. 98035/32 [No. 183].

No. 63.

COLONIAL OFFICE to THE BAHREIN PETROLEUM COMPANY, LIMITED.

[*Answered by No.* 65.]

Downing Street, 30th December, 1932.

GENTLEMEN,

I AM directed by Secretary Sir Philip Cunliffe-Lister to acknowledge the receipt of your letter of the 30th December,† in which you state that the suggested alterations in the Modifying Agreement are accepted by the Company.

A further communication will be addressed to you in due course with regard to possible alterations in the Mining Lease.

I am, &c.,
J. E. W. FLOOD.

C. 98035/32 [No. 184].

No. 64.

MR. F. C. STARLING (PETROLEUM DEPARTMENT)

to

MR. J. E. W. FLOOD (COLONIAL OFFICE).

[*Answered by No.* 69.]

(Mines Department), Dean Stanley Street, Millbank,
Westminster, London, S.W.1, 31st December, 1932.

DEAR FLOOD,

MANY thanks for your letter of 30th December,‡ enclosing copy of the official letter which you have received from the Bahrein Petroleum Company. I agree that the Modifying Agreement for the prospecting licence can now be completed with the alterations proposed on the draft accompanying Ballantyne's letter. At the same time I should like to make it clear that we consider that the Company have received very favourable consideration in the past, and we shall expect them to be reasonable over the modification to the Mining Lease which it is intended to put forward and which must necessarily be the subject of negotiation between the parties concerned.

Yours, &c.,
F. C. STARLING.

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* Enclosure in No. 61. † No. 61. ‡ No. 62.

C. 98035/32 [No. 190].

No. 65

THE BAHREIN PETROLEUM COMPANY, LIMITED, to COLONIAL OFFICE.

19, Moorgate, London, E.C.2, 2nd January, 1933.

SIR,

I HAVE to acknowledge receipt of your letter dated 30th December, 1932,* and to inform you this Company is pleased to note there is no suggestion on the part of His Majesty's Government that the form of Schedule 3 to the Concession Agreement (the Mining Lease) is open in any shape or form.

I am, &c.,
H. R. BALLANTYNE.

C. 98035/32 [No. 185].

No. 66.

THE SECRETARY OF STATE to THE POLITICAL RESIDENT.

[*Answered by No.* 70.]

(Confidential.)

Downing Street, 5th January, 1933.

SIR,

I HAVE the honour to refer to my Confidential despatch of the 16th of August, 1932,† regarding the application of the Bahrein Petroleum Company for the revision of Clause IX of the second Schedule to their Concession Agreement, and to transmit to you copies of the following correspondence with the Company and the Petroleum Department on this subject:—

(1) From the Bahrein Petroleum Company, 18th of August, 1932.‡
(2) To the Petroleum Department, with enclosures, 27th of September, 1932.§
(3) From the Petroleum Department, 13th of October, 1932.‖
(4) To the Bahrein Petroleum Company, 26th of October, 1932.¶
(5) From the Bahrein Petroleum Company, 25th of November, 1932.**
(6) To the Petroleum Department, 3rd of December, 1932.††
(7) From the Petroleum Department, 30th of November, 1932.‡‡
(8) From the Bahrein Petroleum Company, 2nd of December, 1932.§§
(9) To the Petroleum Department, 12th of December, 1932.‖‖
(10) From the Bahrein Petroleum Company, with enclosure, 15th of December, 1932.¶¶
(11) To the Petroleum Department, 20th of December, 1932.***
(12) From the Petroleum Department, 23rd of December, 1932.†††
(13) To the Bahrein Petroleum Company, 29th of December, 1932.‡‡‡
(14) From the Bahrein Petroleum Company, 30th of December, 1932.§§§

I also enclose 12 copies of a draft Agreement‖‖‖‖ embodying the necessary amendments to the main Agreement and the second Schedule to the Agreement. These amendments are explained in the above correspondence.

2. His Majesty's Government now see no objection to a Supplementary Agreement in the terms of the enclosed draft being concluded between the Bahrein Petroleum Company and the Shaikh of Bahrein. You will no doubt notify the Shaikh accordingly in order that arrangements may be made for its execution at an early date.

3. You will observe that further correspondence may be expected on the subject of the Mining Lease, and I will communicate with you as to this in due course.

I have, &c.,
P. CUNLIFFE-LISTER.

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* No. 63. † C. 98035/32 [No. 57]: not printed. ‡ No. 35. § No. 45.
‖ No. 46. ¶ No. 47. ** No. 49. †† No. 51. ‡‡ No. 16. §§ No. 50.
‖‖ No. 52. ¶¶ No. 53. *** C. 98035/32 [No. 166]: not printed. ††† No. 57.
‡‡‡ No. 59. §§§ No. 61. ‖‖‖‖ Not printed here.

18135/33 [No. 4].

No. 67.

THE POLITICAL RESIDENT to THE SECRETARY OF STATE.

(Received 17th January, 1933.)

[*Answered by No.* 19.]

(Confidential.)
(No. 51.) British Residency and Consulate-General,
Bushire, 22nd December, 1932.

SIR,

Extension of prospecting licence to the Bahrein Petroleum Company.

WITH reference to correspondence ending with your telegram No. 8, dated 5th December, 1932,* I have the honour to forward herewith a copy of the Supplementary Agreement between His Excellency the Shaikh of Bahrein and the Bahrein Petroleum Company covering the extension mentioned above.

I am sending a copy of this letter to the Government of India.

I have, &c.,
T. C. FOWLE,
Lieutenant-Colonel,
Political Resident in the Persian Gulf.

Enclosure in No. 67.

SUPPLEMENTARY AGREEMENT BETWEEN H.E. SHAIKH HAMAD BIN SHAIKH ISSA AL KHALIFAH, AND THE BAHREIN PETROLEUM COMPANY, LIMITED.

THE Bahrein Petroleum Company, Limited, having shown to the satisfaction of His Excellency Shaikh Hamad Bin Issa Al Khalifah that an extension by one year of the period of prospecting licence is justified, Shaikh Hamad, with the cognisance of the Honourable the Political Resident in the Persian Gulf, hereby agrees to extend its period by one year up to and including the second day of December, 1933, and the Company agrees to accept this extension in accordance with the conditions in the original Agreement dated 2nd December, 1925.

In witness whereof they have duly set their signature or seal.

FRANK HOLMES,
Chief Local Representative,
The Bahrein Petroleum Company, Limited.

Before me.
G. LOCH,
13th December, 1932.

18135/33 [No. 18].

No. 68.

ADMIRALTY to COLONIAL OFFICE.

(Confidential.)

SIR, Admiralty, S.W.1, 20th January, 1933.

I AM commanded by My Lords Commissioners of the Admiralty to refer to letter from the Petroleum Department to the Colonial Office of 23rd December, 1932,† and to paragraph 5 of Colonial Office letter to the Bahrein Petroleum Company, Limited, of 29th December, 1932.‡

2. My Lords attach the greatest importance to the inclusion of the pre-emption and refining safeguards as proposed in paragraph 4 (e) of Petroleum Department letter of 23rd December, as a step towards the inclusion of the full safeguards if and when the Company apply for an extension of their area.

* No. 18. † No. 57. ‡ No. 59.

3. With reference to paragraph 4 (c), My Lords consider that in view of the report on page 47 of the Administration Report of the Persian Gulf for 1931,* to the effect that of the employees only Major Holmes and a few Sikhs are British, it would be desirable to draw the attention of the Bahrein Petroleum Company to Condition D of their agreement.

4 Copies of this letter have been sent to Petroleum Department, Foreign Office, and India Office.

I am, &c.,
J. S. BARNES.

18135/33 [No. 7].

No. 69.

MR. K. W. BLAXTER (COLONIAL OFFICE)

to

MR. F. C. STARLING (PETROLEUM DEPARTMENT).

[*Answered by No.* 74.]

DEAR STARLING, Downing Street, 24th January, 1933.

WITH reference to your letter to Flood of the 31st of December,† about the Bahrein Oil Concession, I enclose a copy of further correspondence‡ with the Company regarding the Supplementary Agreement, together with a copy of a telegram§ to the Resident in the Persian Gulf on this subject.

You will have seen from Flood's letter of the 29th of December,‖ that three of the modifications to the Mining Lease set out in paragraph 4 of your official letter of the 23rd of December¶ have been communicated orally to Ballantyne. We feel, however, that we should not delay much longer in informing the Company officially exactly what amendments His Majesty's Government desire, and it will be a great help, as a first step, if you could see your way to preparing a memorandum setting out in detail the required amendments. An interdepartmental meeting could then be called to discuss this memorandum, and the best method of putting it to the Company. We hope very much you will agree to this procedure.

I might add that during a recent interview here Ballantyne explained that the somewhat uncompromising wording employed in the Company's letter of the 2nd of January** was only intended to maintain the principle that the Company cannot be compelled to accept amendments to the Mining Lease, which must be the subject of negotiation and agreement.

Copies of this letter, with the enclosures, together with copies of Flood's letters of the 29th and 30th of December,†† are being sent to Warner, Laithwaite and Rivett-Carnac.

Yours, &c.,
K. W. BLAXTER.

P.S.—The letter of 12th January referred to in Ballantyne's letter of 16th January‡‡ relates to a different matter, and we will deal with it separately.

18135/33 [No. 50].

No. 70.

THE POLITICAL RESIDENT to THE SECRETARY OF STATE.

(Received 23rd March, 1933.)

(No. 18.) British Residency and Consulate-General,
Bushire, 24th February, 1933.

SIR,

WITH reference to paragraph 2 of your despatch Persian Gulf Confidential, dated 5th January, 1933,§§ I have the honour to forward herewith two copies of a Supplementary Agreement concluded on 15th February, 1933, between the Bahrein

* 18135/33 [No. 21]: not printed. † No. 64.
‡ Nos. 63 and 65 and 18135/33 [Nos. 3 and 5]: not printed.
§ 18135/33 [No. 6]: not printed. ‖ No. 60. ¶ No. 57. ** No. 65.
†† No. 62. ‡‡ 18135/33 [No. 3]: not printed. §§ No. 66.

Petroleum Company and the Shaikh of Bahrein revising Clause IX of the second Schedule to the Concession Agreement of 1925.

I am sending a copy of this letter and of its enclosure to the Government of India.

I have, &c.,
T. C. FOWLE,
Lieutenant-Colonel,
Political Resident in the Persian Gulf.

Enclosure in No. 70.

INDENTURE.

BETWEEN Shaikh Hamad Bin Shaikh Issa Al Khalifah Shaikh of Bahrein (hereinafter called "the Shaikh") acting on the advice of the British Political Resident in the Persian Gulf of the one part and the Bahrein Petroleum Company Limited (hereinafter called "the Bahrein Company") a Company incorporated under the Laws of the Dominion of Canada of the other part.

Whereas this Indenture is supplemental to the Concession Agreement dated the second day of December One thousand nine hundred and twenty-five and made between the Shaikh of the one part and Eastern and General Syndicate Limited of the other part and now vested by assignment in the Company which agreement has been extended and modified by an Indenture dated the twelfth day of June One thousand nine hundred and thirty and further extended by agreement to the second day of December One thousand nine hundred and thirty-three.

Now this Indenture Witnesseth that it is hereby agreed and declared that the said Concession Agreement shall be further modified in manner hereinafter appearing that is to say:—

1. The words "Except for payments in respect of royalty which shall become payable under Article IX of the second Schedule to this Agreement in respect of oil won in excess of 100 tons" shall be inserted in Article VI of the said Agreement immediately before and so as to qualify the sentence beginning with the words "they shall not be liable to pay any further sums."

2. The following shall be substituted for the existing Article IX of the second Schedule to the said Agreement that is to say:—

"IX. The right to win up to one hundred tons of oil free of payment and further quantities of oil on payment of a royalty of Rs. 3-8-0 per ton of net crude oil got and saved (*i.e.*, after deducting water and foreign substances and oil required for the customary operations of the Company's installations in the Shaikh's Territories)."

3. There shall be inserted in Schedule 2 of the said Agreement immediately after Article IX two new Articles as follows:—

"IXA. For the purposes of such royalty payments the Company shall measure by a method customarily used in good oilfield practice all crude oil won and saved and the Shaikh by his Representative duly authorized by the Political Resident in the Persian Gulf shall have the right to examine such measuring and to examine and test whatever appliances may be used for such measuring. If upon such examination or testing any such appliance shall be found to be out of order the Shaikh may require that the same be put in order by and at the expense of the Company and if such requisition be not complied with in a reasonable time the Shaikh may cause the said appliance to be put in order and may recover the expense of so doing from the Company and if upon any such examination as aforesaid any error shall be discovered in any such appliance such error shall if the Shaikh so decide after hearing the Company's explanation be considered to have existed for three calendar months previous to the discovery thereof or from the last occasion of examining the same in case such occasion shall be within such period of three calendar months and the royalty shall be adjusted accordingly. If the Company desire to alter any measuring appliance it shall give reasonable notice to the Shaikh or his representative to enable a representative of the Shaikh to be present during such alteration."

"IXB. The Company shall keep full and correct accounts of all crude oil measured as aforesaid and the said representative of the Shaikh shall have access at all reasonable times to the books of the Company containing such accounts and shall be at liberty to make extracts therefrom and the Company shall at its own expense within three calendar months after the end of each calendar year deliver to the Shaikh an abstract of such accounts for such year and a statement of the amount of royalty due to the Shaikh for such year. Such accounts shall be treated as confidential by the Shaikh with the exception of such figures therein as he may be required by law to publish."

Dated 15th February, 1933.

Shaikh of Bahrein.

FRANK HOLMES,
Bahrein Petroleum Company Limited.

Before me,

G. LOCH,
H.B.M.'s Political Agent, Bahrein.

18135/33 [No. 76].

No. 71.

THE ACTING POLITICAL RESIDENT to THE SECRETARY OF STATE.

(Received 24th April, 1933.)

(Confidential.)
(No. 26.)

British Residency and Consulate-General, Bushire,
17th April, 1933.

SIR,

WITH reference to your despatch Confidential, dated 27th October, 1932.* I have the honour to enclose a copy of a letter dated 7th April, 1933, from the Political Agent, Bahrein, with which he sends a copy of a letter dated the 4th April, 1933, from the Chief Local Representative of the Bahrein Petroleum Company, applying under Article IV of the Concession of 1925 for a further extension of the prospecting licence for one year as from the 2nd December, 1933, and also putting forward an alternative proposal involving an extension of the prospecting licence until the 2nd March, 1935, and an increase in the area in Bahrein over which the Company hopes to secure mining rights.

2. A copy of the letters has been sent to the Honourable Lieutenant-Colonel T. C. Fowle, in case he wishes to discuss the contents with you while in London.

3. A copy of this despatch and of its enclosure is being sent to the Foreign Secretary to the Government of India.

I have, &c.,
G. LOCH,
Lieutenant-Colonel,
Officiating Political Resident in the Persian Gulf.

Enclosure in No. 71.

(Confidential.)

Political Agency, Bahrein, 7th April, 1933.

SIR,

I HAVE the honour to enclose a copy of a letter dated the 4th April, 1933, from the Chief Local Representative, the Bahrein Petroleum Company, Limited, in which he applies for an extension of the prospecting licence for one year as from the 2nd December, 1933, under Clause 4 of the Concession Agreement, and also puts forward an alternative proposal involving an extension of the area in Bahrein over which the Company hopes to obtain rights.

2. I have sent a copy of the letter to the Bahrein Government and have asked for an expression of their views on the proposals contained in it.

3. In the meantime, I would only observe that the Chief Local Representative words the third paragraph of his letter in such a way as to suggest that the Company

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* C. 98035/1132 [No. 111]: not printed.

is *entitled* to an extension of the prospecting licence. I have examined the wording of Article 4 of the Agreement between Shaikh Hamad bin Issa Al Khalifah, Shaikh of Bahrein, and the Eastern and General Syndicate, Limited, dated the 2nd December, 1925, and Clause 8 of the second Schedule (privileges to be enjoyed by the Company under the prospecting licence) attached to that Agreement, and I do not think that the Company can be held to be *entitled* to an extension of the prospecting licence, but consider that the question of any further extension of the prospecting licence must be treated on its merits.

3. The Chief Local Representative's letter is dated at Kuwait on the 4th April, 1933, and reached me on the 7th April. He has since, I understand, left Kuwait for Cairo or Jedda, but he has not communicated his movements to me and the Fields Manager of the Bahrein Petroleum Company, Limited, tells me that he does not know his address. The Manager of the Mesopotamia Persia Corporation, Limited, tells me that the Chief Local Representative was at Shepherd's Hotel, Cairo, but that he thinks that he is now on his way to Jedda. The Chief Local Representative demands an answer to his letter by thirty days from the 20th April, but has disappeared, so that I have no one with whom I can communicate on any points (such as the use of the word " entitled ") which may arise or on which the Bahrein Government may wish to have fuller information.

I have, &c.,
G. Loch,
Lieutenant-Colonel,
Political Agent, Bahrein.

The Honourable the Political Resident
in the Persian Gulf,
Bushire.

Copy of Letter dated the 4th April, 1933, from the Chief Local Representative of the Bahrein Petroleum Company Limited, Kuwait, to the Political Agent, Bahrein.

On behalf of the Bahrein Petroleum Company, Limited, the assignee holder of the Bahrein Oil Concession dated 2nd December, 1925, I have the honour to apply for one year's extension of the prospecting licence, as from 2nd December, 1933. This application is made under Clause IV of the Concession Agreement.

In support of this application I would mention that the Company has in commission a modern and powerful deep-boring drilling plant which has been in constant operation since the middle of October, 1931, to the present date. Moreover, the Company has now added a second drilling machine of the same character which will also be in operation when this letter reaches you, or soon thereafter.

Further, the Company is considerably ahead of the drilling programme, as necessary to perform under Schedule 2 of the Concession Agreement, before the Company is entitled to an extension of the prospecting licence.

The prospecting work done with the drill, during the past few months, has stressed the fact that much additional information should be obtained before the true value, extent, and location of the oil-bearing formation can be ascertained. Such knowledge can only be secured by an extensive drilling campaign over a considerable area, and it is vital in order to enable the Company to develop the Concession to the utmost advantage of all interested.

2. But, should His Excellency the Shaikh of Bahrein prefer, in lieu of the extension of the prospecting licence applied for above, to come to other arrangements the Bahrein Petroleum Company is prepared to enter into an agreement with His Excellency the Shaikh on the lines indicated below :—

Article V of Main Agreement.

In lieu of the right to select up to 100,000 acres in not more than three blocks, as now provided in the Concession, the Company shall have the right until 2nd March, 1935, to select up to 200,000 acres in not more than six blocks The present prospecting licence is, therefore, extended to 2nd March, 1935. In return for this the Company undertakes as follows :—

(*a*) the Company will pay the Shaikh Rs.10,000/- within thirty days after the execution of the Agreement;

(*b*) the annual payment of Rs.10,000/- now provided to be paid to the Shaikh under the prospecting licence and the mining lease shall be changed hereafter to Rs.20,000/-;

(*c*) the minimum annual payment of Rs.30,000/- as now provided to be paid to the Shaikh commencing with the year after the date of the declaration that oil has been found in commercially exploitable quantities shall be changed to Rs.60,000/-;

(*d*) during the continuance of the Concession, but in no event for more than 20 months, the Company will advance to the Shaikh Rs.9,000/- each month, commencing with the month following the date of the execution of the agreement. These monies so advanced may be recovered by the Company (without interest) from oil royalties due to the Shaikh in the following manner and not otherwise :—

If and when the royalty due the Shaikh for any one year exceeds Rs.60,000/-, the Company may deduct and retain an amount up to one-fourth of such excess for every such year until the total of the amounts so deducted and retained by the Company is sufficient to satisfy the monies advanced to the Shaikh by the Company.

It will be evident to you that the drilling now being carried on by the Company may at any time reveal information which would indicate that 100,000 acres would cover the oil-bearing formation. The Company cannot therefore hold open the offer outlined in paragraph 2 above for more than a reasonable time, say 30 days from 20th April and thereafter until the Company withdraws the said offer.

I shall be obliged if you will kindly put the above proposition before His Excellency the Shaikh for his consideration.

3. In the event of His Excellency being unwilling to consider the Company's proposal under paragraph 2, I shall be grateful if you will kindly proceed with the application for an extension of the existing prospecting licence, as requested in paragraph 1 above of this letter.

18135/33 [No. 86].

No. 72.

THE ACTING POLITICAL RESIDENT to THE SECRETARY OF STATE.

(Received 10.55 p.m., 27th April, 1933.)

TELEGRAM.

27TH APRIL. Addressed to Colonial Office, No. 9, Repeated to Foreign and Political Department, No. 321. Kindly give a copy of this telegram to Fowle. My despatch of 17th April, No. 26.* Bahrein Government are not disposed to grant without *quid pro quo* further extension of prospecting licence for one year as it would result in postponement of increased payments of rupees 30,000 which become due when Company enter on mining lease.

2. They regard concession as giving them right to grant or refuse such an extension. Interpretation is not, however, quite free from doubt and Bahrein Government state that if they are informed by His Majesty's Government that according to meaning it is not within their power to withhold extension they will be reluctantly compelled to give way. If, however, His Majesty's Government agree that Bahrein Government interpretation is correct they are prepared to promise extension on condition that Company makes loan to Bahrein Government to be recovered from future royalties.

3. Bahrein Government consider that additional area has greater value than area originally given as it is now known oil exists and they think that offer of Company is inadequate. They are uneasy about question of declaration of commercial exploitable quantity and write " on this matter we desire to know the truth as to when Company will begin to exploit the oil." Bahrein Government are not satisfied with terms of loan repayment suggested. Finally they write " it is unlikely that we should grant to Company additional area which they request unless we are sure that the conditions that it offers us are suitable and adequate to us and the public good." They think it would be just to give Bahrein Petroleum Company first refusal of additional area, but point out that if they (Bahrein Government) offer additional area to any other Company they might get more favourable offer from that Company. They (? are) expecting to be consulted as to their wishes before any arrangement is concluded with Company.

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* No. 71.

4. In Shaikh's letter he expressed surprise at Holmes's absence from Bahrein at this juncture and astonishment that Company should demand answer in a matter of such importance as additional area in a short time.

5. Information at my disposal is insufficient to enable me to gauge adequately Company's proposals, which I understand are less favourable than those which conversations during Lombardi's and Janson's visit led Bahrein Government to suppose might be made; but following information may be helpful to you (*a*) Bahrein Government and Shaikh personally are sorely in need of money, (*b*) they are alive to commercial and strategic advantage of oil field on island near sea as opposed to, for example, 'Iraq field, (*c*) in view of rumour of large sum accruing to 'Iraq Government and offered for rights elsewhere they are anxious lest they may not get full value for their field, (*d*) it is understood that Bahrein Petroleum Company propose to market their oil in the East so will escape Suez Canal dues.

18135/33 [No. 84].

No. 73.

POLITICAL RESIDENT, PERSIAN GULF,

to

THE SECRETARY OF STATE FOR INDIA.

(Received 10 p.m., 27th April, 1933.)

TELEGRAM.

(Copy received in Colonial Office, 1st May, 1933.)

322. 27TH APRIL. Laithwaite from Loch. Following for Fowle :—

Begins :—1. I have asked the Secretary of State for the Colonies to give you copy of my telegram of 27th April,* Bahrein Oil.

2. I understand privately that, for loan in return for one year's extension of prospecting licence, Bahrein Government have in mind 60 thousand rupees, repayable over 3 to 5 years, from royalties when latter exceed 1 lakh yearly; also that Shaikh might well be willing to grant additional area to Company if they offer really good terms.

3. I would beg you to impress upon His Majesty's Government how important it is that nothing should be done over oil or air which might give Shaikh idea, rightly or wrongly, that Bahrein is being sacrificed to other interests. Our having imposed 2 per cent. transit dues in favour of Bin Saud is still remembered and events in Kuwait and Mohammerah are, as you know, subject to adverse comment on Arab littoral.—*Ends.*—RESIDENT.

Note.—This telegram is revised in accordance with telegram No. 330 from the Political Resident in the Persian Gulf dated 29th April, 1933.

18135/33 [No. 97].

No. 74.

MR. F. C. STARLING (PETROLEUM DEPARTMENT)

to

MR. K. W. BLAXTER (COLONIAL OFFICE).

(Mines Department), Dean Stanley Street, Millbank,
Westminster, London, S.W.1, 2nd May, 1933.

DEAR BLAXTER,

WITH further reference to your letter of 24th January,† I now enclose a memorandum regarding the amendments which we think should be made to the form of mining lease attached to the Bahrein Oil Concession. In preparing these amendments I have endeavoured to limit our requirements to those additions which we considered are

* No. 72. † No. 69.

necessary to protect the interests of the Shaikh. I have not dealt in this memorandum with the recent proposal of the Company for a further extension of time or, alternatively, for an extension of their area with increased payments. I thought it preferable that we should have a general discussion of this proposal at our meeting to-morrow before we put forward our views.

Yours, &c.,
F. C. STARLING.

Enclosure in No. 74.

MEMORANDUM ON FORM OF MINING LEASE (THIRD SCHEDULE TO AGREEMENT OF 2ND DECEMBER, 1925, BETWEEN SHAIKH OF BAHREIN AND EASTERN AND GENERAL SYNDICATE).

THE form of Mining Lease has been examined in the Petroleum Department and it is considered that the following amendments are desirable and should be suggested to the Company. Several of these amendments are designed to cover technical points which are usually provided for in oil mining leases. It is always difficult in the case of unproved territories to overload a concession with detailed provisions which only become of importance in the event of oil being discovered. The Company can hardly take the line that the Agreement is a document which cannot be altered because it has already been altered in several respects. On their side they were given an extra year in the exploratory period in addition to the full two years' extension which the Agreement provided for. More recently they asked for a revision of the Clause in the prospecting licence which would have required them to take out a Mining Lease as soon as they had produced 100 tons of oil from a single borehole. They wanted to do more investigation before they took out the Lease, and they also wanted to use oil in the field operations. We have therefore given them valuable considerations and what we now claim is that we are entitled to make the Mining Lease accord with ordinary practice.

SUGGESTED AMENDMENTS.

Article I.

After the words " Such right, however, shall not include the exclusive right to sell such products within the leased area," insert the following :—

" The Lessees shall at their own expense forthwith erect and at all times maintain and keep in repair substantial boundary marks at the corners of the leased area according to the demarcation shown in the plan hereto annexed so that the boundaries of the leased area may at all times be clearly defined."

Article II, last paragraph.

After the words " At the expiry of the Agreement the ground and all immovable property left by the Company shall be handed back to the Shaikh " add " all productive wells and borings shall be handed over in good order and repair and fit for further working."

Article III.

After the words " In commercially exploitable quantities " add " in addition to the amounts referred to in the preceding part of this Article the Company shall pay a royalty at the rate per ton provided in Article VIII on all net crude oil won and saved (*i.e.*, after deducting water and foreign substances and oil required as fuel for drilling purposes in the Shaikh's territories and for pumping to field storage)." This follows the amendment recently made in Article IX of the second Schedule to the Agreement.

Articles III and IX.

It should be noted that the annual dead rent payable by the Company remains at Rs. 10,000 per annum for five years, or until the Company declares that oil has been found in commercially exploitable quantities, after which the dead rent becomes Rs. 30,000. In view of the extensions which have been granted to the Company and the fact that oil has already been proved in two wells, it is perhaps worth considering

whether they could not be asked, in return for the further extension of the prospecting licence which they are now demanding, to make an annual payment of Rs. 30,000 at an earlier date than that provided in the form of Lease. As at present provided the Company need not make the declaration until five years from the date of the Mining Lease.

Article V.

The meaning of the paragraph beginning " If the Company's work is delayed by such events as are mentioned in this Article " does not seem very clear. It appears as if the word " of " has been omitted after the word " expiration."

Article VIII.

After words " Rs. 10,000 provided for in Article III " add " (1) " instead of " for the customary operations of the Company's installations " say " oil required as fuel for drilling purposes in the Shaikh's territories and for pumping to field storage."

(2) " A royalty of 4 annas per 1,000 cubic feet of natural gas sold by the Lessees and calculated at an absolute pressure of one atmosphere and at a temperature of 60° F."

(3) "A royalty of 1 anna per gallon in respect of all casing head gasoline recovered and sold by the Lessees."

Note.—The form of Mining Lease does not contain any provision for royalty on natural gas sold, or for royalty on casing head gasoline, which is usually charged for at a higher rate of royalty than in the case of crude oil. It may be that no sales of natural gas will take place in the case of Bahrein Island but as the Lease will run for a period of 55 years, it is desirable that it should include such a provision.

Add to this Article provision for measuring crude oil won for purposes of royalty assessment. The provisions of this Clause could be the same as those already included in the Agreement of 15th February, 1933, between the Shaikh and the Bahrein Petroleum Company in connexion with oil won under the prospecting licence. The form of this measuring clause has already been agreed with the Company.

Article X.

At end of Article add " If the operations for winning crude oil shall be abandoned or discontinued for twelve months (except on account of *force majeure* or the causes specified in Article V) the Shaikh may thereupon give the Lessees notice in writing of such abandonment or discontinuance and call upon them to resume operations, and in the event of such operations not being resumed to the satisfaction of the Shaikh within two calendar months from the date of such notice, the Shaikh may thereupon cancel and determine this Lease."

Article XII.

At end of this Article add " The Lessees undertake at all times during the continuance of this Lease to carry on all operations for winning and working crude oil and natural gas in a skilful and workmanlike manner in accordance with modern approved methods and to maintain all productive wells in good repair, working order, and condition. The Lessees undertake that when any well is being drilled adequate means shall be taken to prevent any uncontrolled flow of oil."

ADDITIONAL PROVISIONS.

1. A new Article will have to be inserted providing for the modified form of British Control Clause, the appointment of a local representative, &c., as set out in the Agreement of 12th June, 1930, between the Shaikh and the Eastern and General Syndicate. This Agreement provided that upon the grant of a Mining Lease the conditions of the Agreement should be inserted therein.

It is considered that provision should also be made for the following:—

2. Correct geological plans and records should be kept, which should be open to inspection by the Shaikh or his representative at all reasonable times.

3. The Company should at its own cost furnish an annual report of their operations, together with a plan showing the location of all wells drilled. They should also keep accurate records of the drilling logs of all wells, showing all casing inserted, and any water horizons passed through.

4. The Shaikh shall be at liberty at all reasonable times during the continuance of this Lease to inspect and examine all works carried on by the Lessees. The Lessees shall afford to the Shaikh all information which he may reasonably require in connexion with any such inspection.

5 Minerals, other than petroleum and cognate products, should be reserved to the Shaikh, who should retain the right to lease them to other parties, provided that the operations of the Company are not thereby obstructed.

6. The Company should undertake to offer no unnecessary or reasonably avoidable obstruction or interruption to the development and working of any minerals (other than petroleum or cognate products) including water and to afford to the Shaikh and to the holders of prospecting licences or mining leases in respect of other minerals reasonable means of access to such minerals for the purpose or working and carrying away the same.

7. Provision should be made in regard to keeping clear a landing ground for aeroplanes on the northern extremity of Bahrein Island opposite to Muharraq Island near the Wireless Telegraph station. (See Air Ministry letter of 13th May, 1929.*)

8. As regards the safeguards to be inserted for the benefit of His Majesty's Government in time or war or emergency, *i.e.*, right of pre-emption, and refining of oil in Bahrein or British territory, it is possible that the insistence on a refinery clause would involve the Company in considerable additional expense. The matter is one which will require further discussion and it is not proposed to deal with it further in this memorandum as it is understood that the Admiralty intend to raise these points at the Departmental meeting to be held on the subject.

2nd May, 1933.

18135/33 [No. 126].

No. 75.

(Confidential.)

EXTRACT FROM A FINAL RECORD OF A MEETING (ADJOURNED FROM THE 26TH APRIL) HELD AT THE COLONIAL OFFICE ON THE 3RD OF MAY, 1933, TO DISCUSS VARIOUS QUESTIONS RELATING TO OIL IN THE PERSIAN GULF.

Present:—

MR. PARKINSON, MR. BLAXTER, MR. JAMES — Colonial Office.
MR. RENDEL, MR. JOHNSTONE — Foreign Office.
MR. LAITHWAITE, India Office.
CAPTAIN MOORE, Admiralty.
MR. STARLING, Petroleum Department.
LIEUTENANT-COLONEL FOWLE, Political Resident in the Persian Gulf.
CAPTAIN PRIOR, Indian Political Department (lately Political Agent at Bahrein).

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IV.—BAHREIN.

A. *Extension of Prospecting Licence and Amendments to Mining Lease.*

17. The meeting first discussed whether the Company is entitled to an extension of their prospecting licence under Article IV of the 1925 Agreement. The Political Agent at Bahrein had called attention to the fact that the Company had used the word " entitled " in their letter of the 4th of April. The wording of Article IV provides that an extension of the prospecting licence up to two years may be granted if the Shaikh on the advice of the Political Resident is satisfied that such an extension is justified. The Acting Resident has stated in a recent telegram that the interpretation is not " quite free from doubt." It was therefore decided that, on the whole, it would be better to obtain legal advice on this point, and that such advice had better be sought from the Treasury Solicitor. In the meantime, however, the discussion

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* No. 17 in Middle East No. 32.

would proceed on the assumption that the Company *were not* entitled to an extension.

18. In connexion with this point CAPTAIN PRIOR said that Major Holmes knows quite well that the Company cannot claim an extension as a right, and that he had, in fact, urged the Americans to be content with the one year's extension already granted. Captain Prior understands that the relations between the Americans and Major Holmes are not as cordial as they might be.

19. The meeting then discussed the alternative proposal submitted by the Company that in return for the right to select 200,000 instead of 100,000 acres they should make the Shaikh increased annual payments and a loan to be repaid from royalties.

20. MR. STARLING said that on balance he thought it would be better not to grant the Company the increased area. He pointed out that the Company had not, as they should have done under the terms of the 1925 Agreement, selected areas when they took up their prospecting licence, and it would, in his opinion, be better to insist on their taking out a mining lease, which would involve the selections of areas, and thus leave the field open for another Company. There were, in fact, recent indications that the Anglo-Persian Oil Company were interested in Bahrein.

21. Some doubt was felt as to the actual area affected by the concession. The right of exploration had been "throughout the whole of the territories under his (the Shaikh's) control," and the prospecting licence should have been granted over "areas to be selected by the Company." Accurate information regarding the area of the whole of the Shaikh's dominions was not available, but CAPTAIN PRIOR suggested that a figure of 156,000 acres would be somewhere near the mark. Captain Prior also said he was given to understand that drilling could be carried out in the open sea at a depth of 15 to 20 feet.

22. It was generally agreed that it would be better not to permit an extension of the Company's area, but that another year's extension of the prospecting licence should be considered and that the revision of the mining lease should be now taken up.

23. MR. PARKINSON then asked the views of the meeting regarding the suggestion which, according to unofficial information, the Bahrein Government had put forward, that in return for the grant of one year's extension the Company should make him a loan of Rs. 60,000, repayable from royalties when the latter exceeded one lakh in the year. He thought the suggestion was worth consideration as the terms of repayment would preclude the Shaikh from getting into financial difficulties with the Company.

24. After some discussion it was decided that the question of the grant of an extension in return for a loan to the Shaikh should be linked up with the amendments which His Majesty's Government desire to see introduced into the mining lease.

25. As regards the desired amendments to the mining lease. MR. STARLING said that he did not anticipate that the Company would raise strong objections especially as the Agreement had already been altered to the advantage of the Company. He explained that it would have been out of place and cumbersome to overload the Agreement in the first place with detailed provisions which would only apply if and when the existence of oil in commercial quantities had been proved. This stage had now been reached in Bahrein, and all the amendments suggested by the Petroleum Department were such as are commonly found in agreements covering a "proved" area.

26. CAPTAIN MOORE said that the Admiralty attached great importance to securing the right of pre-emption and introducing provisions for a proportion of the oil to be refined in Bahrein. He explained that what the Admiralty required was fuel oil rather than crude oil. CAPTAIN PRIOR said that the Shaikh had already evinced some interest in the question of oil-refining in Bahrein.

27. It was finally agreed that a draft letter to the Company should be prepared in the Colonial Office, for the concurrence of the other interested Departments. The letter would make an offer, as from the Shaikh of Bahrein, of one year's extension of the prospecting licence from the 2nd of December, 1933, in return for which the Company would be asked to agree to:—

(*a*) A substantial loan to the Shaikh (*i.e.*, in effect, advance royalties) to be repaid, without interest, from royalties over a period of 3 to 5 years when the latter exceeded one lakh in the year.

(*b*) The amendments to the mining lease suggested by the Petroleum Department.

When approved the draft letter would be sent to the Persian Gulf for the concurrence of the local British authorities and the Shaikh of Bahrein. The amount of the loan would not be specified in the letter, but would be left for subsequent negotiations with the Company.

B. *Drillers.*

28. MR. PARKINSON said that, in the first place, he proposed to take up this question orally with Mr. Ballantyne and Mr. Lombardi, who had just asked for an interview.

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18135/33 [No. 99].

No. 76.

MR. J. G. LAITHWAITE (INDIA OFFICE)

to

MR. F. C. STARLING (PETROLEUM DEPARTMENT).

(Copy received in Colonial Office 6th May, 1933.)

DEAR STARLING, India Office, Whitehall, S.W.1, 3rd May, 1933.

I HAVE been looking into the question of the area covered by the Shaikh of Bahrein's dominions, consequent on discussion with Giffard, with the following result.

2. The Shaikh maintains a rather nebulous claim to certain areas on the Arab coast, with which it is unnecessary to deal here. His dominions may be regarded as consisting of the Bahrein archipelago. The Bahrein archipelago consists of the Island of Bahrein, and of the adjoining islands of Muharraq, Umm Na'assan, Sitrah, and Nabi Salih. The area of the *Bahrein* Island is 208 square miles, its maximum length being 30 miles and its maximum breadth 10 miles. The area of *Muharraq* is $5\frac{1}{4}$ square miles. This island is separated from Bahrein by a strait $1\frac{1}{2}$ miles broad; and its superficies is stated to be almost trebled at low tide by broad flat reefs of coral, while the rocky spit of Ras al Khasaifah runs out nearly 4 miles to seaward from the north-west corner.

3. *Umm Na'assan* is about 2 miles off the west coast of Bahrein Island, and measures less than 4 miles in length from north to south by about $2\frac{1}{2}$ miles in breadth, while *Sitrah* which is separated from the east coast of Bahrein Island by a narrow and shallow channel, measures $4\frac{1}{2}$ miles from north to south and tapers from the north, where it is $1\frac{1}{2}$ miles broad, to its southern extremity. *Nabi Salih* is situated in the large inlet of Kabb on the eastern side of Bahrein Island, off the north-west corner of Sitrah Island. It measures about $\frac{1}{2}$ mile in each direction.

4. The existing Bahrein Petroleum Concession is, I understand, in respect of areas in Bahrein Island only.

5. The information above, which is I fear rather scrappy, is taken from Lorimer's *Gazetteer*. The Persian Gulf Pilot suggests that the archipelago is surrounded by reefs running out to a considerable distance and banks to which the Shaikh would no doubt lay claim if any question arose; and in considering any grant of a concession in respect of his "dominions" or "Bahrein" it would seem necessary to have a clear understanding as to precisely what is covered, and in addition to the special safeguards we are anxious to secure on strategic grounds, to ensure that no rights are conceded either in respect of, or of such a character as prejudicially to affect, pearling banks in the Bahrein area or elsewhere in which the Shaikh may have an interest either in his own right or in common with the other Arab rulers of the Gulf.

6. I am sending copies of this letter to Parkinson, Rendel, and Moore. I am also suggesting to Moore that the Admiralty representatives might bring a chart of Bahrein, which would give a clearer idea of the position than the rather scattered information above, to this afternoon's meeting.

Yours, &c.,
J. G. LAITHWAITE.

18135/33 [No. 101].

No. 77.

NOTE OF AN INTERVIEW HELD AT THE COLONIAL OFFICE ON THE 8TH MAY, 1933, BETWEEN MR. LOMBARDI AND MR. BALLANTYNE, OF THE BAHREIN PETROLEUM COMPANY, LIMITED, AND MR. A. C. C. PARKINSON AND MR. K. W. BLAXTER, OF THE COLONIAL OFFICE.

MR. LOMBARDI and Mr. Ballantyne called this morning, and were seen by Mr. Parkinson, Mr. Blaxter also being present.

MR. LOMBARDI gave a short account of his recent visit to the Persian Gulf, saying that he had considerable discussion with the Shaikh of Bahrein, Colonel Loch, and Mr. Belgrave, and had also seen the Shaikh of Kuwait. He laid some stress upon the friendly relations which, he said, existed between the staff of the Bahrein Petroleum Company in Bahrein and the local population. He said that his Company were being particularly careful to select a good type of individual for these posts, and he thought that the good relations to which he had referred were due to this fact.

2. MR. LOMBARDI then raised the question of the application which the Bahrein Petroleum Company had made for an extension of their prospecting licence, or as an alternative for an increase of the area which they may select, in return for certain increased payments to the Shaikh. He stated that to his mind the Company were entitled to a further year's extension; it was customary in concessions of this kind to allow for the maximum extension of the prospecting licence if it could be shown that the extensions asked for were necessary. In the present instance, he felt that the Company had made out a clear case for this necessity. It was clear to him after making a survey of the whole position in Bahrein that further test drilling was required; they would have to test in all six or seven wells before they could decide either the depth or the extent of the area for which they would seek a mining lease.

3. MR. PARKINSON stated that the Company's application was at present under active consideration; he could not say more at the moment, except that it was not likely that the Shaikh would agree to an extension of the licence without a *quid pro quo*. As to the Company being *entitled* to an extension of their prospecting licence, he said that he did not admit that this was the position, but that the point would be looked into carefully. When the position had been further examined it would be necessary for a reference to be made back to the Bahrein Government. After that had been done, a comprehensive letter would be addressed to Mr. Ballantyne. MR. LOMBARDI said that if His Majesty's Government required further information as to the Company having pursued their programme with due diligence and efficiency, which was a material point in respect of their application for an extension of their prospecting licence, he hoped that the Company would be told as soon as possible what further details were required, in order that the data could be prepared without delay. As regards a *quid pro quo*, Mr. Lombardi indicated that the second alternative was designed to give the Shaikh and his government immediate assistance; the implication was that the Company would not be disposed to consider anything of that nature merely for an extension of the licence.

4. MR. PARKINSON mentioned also that when the time came to address a letter to Mr. Ballantyne, this would include a statement as to certain amendments in the mining lease which His Majesty's Government desired to see introduced. MR. LOMBARDI and MR. BALLANTYNE inquired whether it was proposed to link up these requirements with the Company's application for an extension of their prospecting licence. MR. PARKINSON replied that he could not say anything definite at the moment as to the manner in which the matter would be raised with the Company. The amendments which His Majesty's Government had in mind were for the most part of a technical nature, and it was hoped that they would be acceptable to the Company. MR. BALLANTYNE reiterated that he hoped that the question of amendments of the mining lease would be kept separate from the Company's present application.

5. The provisions of Condition " D " of the Schedule to the Agreement of the 12th June, 1930, were then discussed, MR. PARKINSON asking what the Company's views were as to the fulfilment of this condition. He mentioned that, though there was in the past a scarcity of British drillers, he understood that there was now available from the 'Iraq Petroleum Company and the Anglo-Persian Oil Company a number of trained drillers of British nationality with experience in the Persian Gulf and 'Iraq who might be employed in the future by the Bahrein Petroleum Company. MR. LOMBARDI stated that the Company did not in fact contemplate the appointment

of additional drilling staff; but that in spite of what Mr. Parkinson had said, his own view was that there were very few *competent* British drillers, if any, available, even at the present time. He mentioned, however, that arrangements were being made to send out to Bahrein two young British engineers, whom the Company proposed to train locally to assist in the work. MR. PARKINSON said that he was glad to hear of this move.

6. MR. PARKINSON took the opportunity to tell Mr. Ballantyne, in reply to his recent inquiry, that we had no definite view as to the spelling of Bahrein, and that the Company could leave matters as they are.

7. MR. LOMBARDI stated that he was leaving almost at once for a short visit to Holland, after which he proposed to return to the United States.

18135/33 [No. 117].

No. 78.

COLONIAL OFFICE to THE TREASURY SOLICITOR.

[*Answered by No.* 80.]

SIR, Downing Street, 11th May, 1933.

I AM directed by Secretary Sir Philip Cunliffe-Lister to request you to be good enough to furnish him with your advice upon the following matter.

2. On the 2nd December, 1925, the Shaikh of Bahrein granted an oil concession to the Eastern and General Syndicate, Limited. On the 12th June, 1930, the Shaikh gave his assent to the transfer by the Eastern and General Syndicate to the Bahrein Petroleum Company of all the rights of the former Company under the aforementioned concession. This transfer took place on the 1st August, 1930.

3. Certain Articles in the original Concession Agreement and the first Schedule thereto and certain Articles of the Agreement of the 12th June, 1930, provide for the grant of an exploration licence, and subsequently of a prospecting licence and lay down the conditions under which these licences may be extended.

4. By a Supplementary Agreement dated the 28th November, 1931, the Shaikh granted a prospecting licence from the 2nd December, 1930, to the 2nd December, 1932, and by a subsequent Supplementary Agreement dated 13th December, 1932, the Shaikh agreed to extend the prospecting licence for a period of one year up to and including the 2nd December, 1933.

5. On the 4th April, 1933, the Bahrein Petroleum Company applied under Article IV of the original Concession Agreement for a further extension of the prospecting licence up to the 2nd December, 1934. A copy of the letter* from the Company to the British Political Agent at Bahrein is enclosed, and it will be observed that the Company have so worded their letter as to imply that they are entitled to this further extension.

6. In forwarding a copy of this letter to the Political Resident in the Persian Gulf, the Political Agent at Bahrein observed that he did not consider that the Company could be held to be *entitled* to an extension of the prospecting licence, but that the question of any further extension must be treated on its merits. He has subsequently reported that the Bahrein Government are not disposed to grant a further extension of the prospecting licence for one year without a *quid pro quo*, as it would result in postponement of increased payment of rupees 30,000 which would become due when the Company enter on the mining lease; that they regard the Concession as giving them the right to grant or refuse such an extension; but that the interpretation of Article IV of the Agreement of the 2nd December, 1925, is not quite free from doubt, and that if they are informed by His Majesty's Government that it is not within their power to withhold the extension, they will be reluctantly compelled to assent, but that if His Majesty's Government agree that their interpretation is correct, they would be prepared to promise the extension on certain conditions.

7. At a recent interview at the Colonial Office a representative of the Bahrein Petroleum Company stated that, in his opinion, the Company were entitled to a further year's extension; that it was customary in Concessions of this kind to allow

* 18135/33 [No. 96]: not printed.

the maximum extension of the prospecting licence (*i.e.*, in this case two years from the 2nd December, 1932), if it could be shown that the extension was necessary; that in the present instance he felt that the Company had made out a clear case for the necessity; he had himself just made a survey of the whole position in Bahrein, and he was satisfied that further test drilling was required before the Company could decide either the depth or the extent of the area for which they should seek a mining lease.

8. There is no reason to think that Article VIII of the second Schedule to the Agreement of the 2nd December, 1925, could be invoked. The question at issue, therefore, depends upon the interpretation of Article IV of that Agreement.

9. Sir Philip Cunliffe-Lister would be glad to have your observations generally on this matter; and in particular I am to request that you will be good enough to advise whether, assuming that the Company can show that a further extension of the prospecting licence for one year is justified, it is open to the Shaikh of Bahrein to refuse such extension or to make conditions upon which the extension would be granted.

10. A set of the relevant papers* is enclosed.

I am, &c.,
O. G. R. WILLIAMS.

18135/33 [No. 127].

No. 79.

MR. F. C. STARLING (PETROLEUM DEPARTMENT)

to

MR. K. W. BLAXTER (COLONIAL OFFICE).

(Mines Department), Dean Stanley Street, Millbank,
Westminster, London, S.W.1, 16th May, 1933.

BY DEAR BLAXTER,

MANY thanks for your letter of 9th May,† enclosing note of a talk with Lombardi and Ballantyne. In view of the conclusions reached at the last interdepartmental meeting held at the Colonial Office, I agree that we need not press the Company further at the moment as regards the employment of British drillers, especially as they have arranged to send out to Bahrein two young British engineers to be trained and assist locally in the work. At a suitable opportunity we might make it clear that we shall expect them to take other British personnel as the work grows, and that we do not accept their contention that there are not competent British drillers available.

2. With regard to details of the work carried out by the Company, we really know very little of what they have done. In a letter from the Fields Manager, dated 24th January, 1933, to the Financial Adviser to the Bahrein Government, the former said that well No. 2 on a short production test made 64½ tons of oil in seven hours and that it appeared to be better than No. 1.

3. Although there is no specific provision in the Agreement of 1925 with the Eastern and General Syndicate covering this point, it is usual for concessionaires to supply information and you will remember that in Flood's letter to Ballantyne of 26th October, 1932,‡ it was stated that we would be prepared to reconsider the question of granting an extension of the prospecting licence beyond 2nd December, 1933, on condition that the Company furnished *detailed information of the progress made and of the Company's immediate drilling programme*. This they have not done. In Holmes's letter of 4th April, 1933,§ in which he made application for an extension of the prospecting licence, he merely said generally, that the Company had in commission a modern and powerful deep-boring drilling plant which had been in constant operation since October, 1931, and that they had now added a second drilling machine of the same character, and that further extensive drilling was necessary. As Lombardi asked to be

* 18135/33 [No. 96]: not printed, enclosure 1 in No. 1 in Middle East No. 32, enclosure 1 in No. 1, enclosure in No. 11, enclosure in No. 67, and enclosure in No. 70.
† No. 22. ‡ No. 48. § Sub-enclosure in No. 71.

informed in regard to additional information we required. I think we should ask for a report covering the following points:—

(1) *Geological work* carried out and areas examined.

(2) *Drilling. Particulars of wells drilled.*
- (*a*) Location of wells (indicated on map).
- (*b*) Date of commencement and completion.
- (*c*) Depth reached to date.
- (*d*) Occurrences of oil met with and depth.
- (*e*) Result of production tests, if any.
- (*f*) New locations selected or projected.

(3) *Personnel.* Description and nationality.

(4) *Buildings, tankage, pipelines, &c., erected or laid.*

A report on these lines would enable us to judge how the Company are carrying out their work, and give us a better idea of the probable value of the concession, and they might, I suggest, be asked to supply a similar report, bringing previous reports up to date, every six months on the 31st December and the 30th June. Such a report would be on the lines of those furnished by the 'Iraq Petroleum Company to the 'Iraq Government. There are also other precedents of which particulars can be furnished to you if necessary.

P.S.—I have sent copies of this letter to Moore, Rendel and Laithwaite.

Yours, &c.,
F. C. STARLING.

18135/33 [No. 129].

No. 80.

THE TREASURY SOLICITOR to COLONIAL OFFICE.

Storey's Gate, St. James's Park, 18th May, 1933.

SIR,

I HAVE to acknowledge the receipt of Mr. Williams's letter of the 11th instant,* on the question whether the Bahrein Petroleum Company are entitled to demand an extension of their prospecting licence under the Agreement entered into on the 2nd December, 1925, between the Shaikh of Bahrein and the Company's predecessors in title, the Eastern and General Syndicate, Limited.

An extension of the prospecting licence for which this Agreement provides may be granted either under Article IV of the Agreement or under Article VIII of the second Schedule thereto. It is, as I understand, not alleged by the Company that they have been prevented by causes beyond their control from carrying out the work of prospecting, and consequently it is not necessary to consider the effect of Article VIII of the second Schedule.

The question therefore falls to be determined under Article IV of the Agreement itself, which provides that "the prospecting licence . . . may be extended for a further period of two years on the Company showing to the satisfaction of the Shaikh, acting on the advice of the Political Resident in the Persian Gulf, that such extension is justified." I assume that the condition precedent to an extension prescribed by the proviso to this Article has been fulfilled and that no question therefore arises with regard to it.

The Agreement does not expressly provide that English law is to apply to the solution of any disputes which may arise between the parties to it, but I can, of course, only advise on the matter on the assumption that the rights of the parties are governed by principles of that law. On this basis it is clear that where the rights of one party to a contract are expressly declared in the contract to depend on something being done to the satisfaction of the other or on that person being satisfied as to a certain state of affairs, the second party is not entitled to act in an arbitrary or capricious manner, or to declare himself as not satisfied by a set of circumstances which any reasonable man would regard as satisfactory. He must take into consideration all the facts of

* No. 78.

the case and form an honest conclusion on the matter; but provided he does so no Court will seek to substitute its own standard of satisfaction for that which the parties have, by the express terms of their contract, agreed to accept.

In the present case, therefore, provided that the Shaikh, acting on the advice of the Political Resident, fairly takes into consideration all the circumstances urged by the Company in support of their application, he is entitled to form his own conclusion whether those circumstances are such as to justify the extension for which the Company ask.

It will appear from what I have said that, in my opinion, the ultimate answer to the question put in Mr. Williams's letter is not primarily one of law, and that unless the Company are in the event able to show an unreasonable course of conduct on the part of the Shaikh they would have no remedy against the Shaikh if he were to come to the conclusion that the circumstances did not justify an extension of the prospecting licence.

Subject, however, to the reservation that the ultimate decision is for the Shaikh acting on the advice of the Political Resident, the following considerations seem to me to be relevant. The reasons put forward by the Company in support of their application for an extension are, as I gather, to be found in their letter of the 4th April, 1933,* addressed to the Political Agent. In this letter the Company point out that they have in commission powerful and modern-drilling plant and are proposing to add, or have added, a second plant of the same character. They further state that the Company is considerably ahead of the drilling programme prescribed by the second Schedule to the Agreement. I may perhaps observe that these considerations appear to me to be directed primarily to the condition precedent to an extension prescribed by Article IV, which I have already assumed to have been satisfied; if this be so they can hardly be taken into consideration for the purpose of deciding the further question whether the circumstances justify an extension of the licence.

The Company then observe that the prospecting work already done stresses the necessity for much additional information before the true value, extent, and location of the oil-bearing formation can be ascertained, and they state that to secure this information an extensive drilling campaign over a considerable area is necessary, and that this work must be done before the Company can be in a position to develop the concession to the utmost advantage of all interested. The circumstance, therefore, on which the Company appear to rely in support of their demand for an extension is that they have not so far been able to obtain as much information as they would desire to have respecting the territory in question before selecting particular areas for the purposes of the Mining Lease which they are entitled to demand under Article V. I am not, of course, acquainted with the territory in question, nor with the difficulties which may have been encountered by the Company in the course of their operations, and it is therefore with some diffidence that I express any opinion on this contention, but so far as I can appreciate the matter it does not appear to me to be a very conclusive one.

The effect of granting a further extension of the prospecting licence would be to postpone the receipt by the Shaikh of the royalties for which a Mining Lease would provide, and if the Shaikh should come to the conclusion that a further postponement of these payments is not justified in all the circumstances, bearing in mind the time which the Company have already had for their preliminary work, I do not think such a conclusion could be challenged. On the other hand I do not think that the Shaikh is entitled to demand any payment from the Company as a condition of granting the extension, or, in purporting to act under the contract, to impose any condition which would substantially increase the burdens assumed by the Company thereunder; in coming to a decision on the matter he can, in my opinion, only take into account such considerations as are expressly or by necessary implication envisaged by the terms of the contract itself. There is, of course, nothing to prevent the parties from making by mutual consent an entirely new agreement in substitution for the existing one, and in negotiating any new agreement the Shaikh would be free to suggest such conditions whether of a financial character or otherwise as he might think appropriate.

I am, &c.,
M. GWYER.

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* 18135/33 [No. 96] : not printed.

18135/33 [No. 138].

No. 81.

THE POLITICAL RESIDENT to THE SECRETARY OF STATE

(Received 22nd May, 1933.)

[*Answered by No.* 84.]

(Confidential.)
(No. 27.)

THE Honourable the Political Resident in the Persian Gulf presents his compliments to His Majesty's Secretary of State for the Colonies, London, and has the honour to transmit to him a copy of two letters from the Indian Assistant to the Political Agent, Bahrein, on the subject of the Oil Concession.

British Residency and Consulate-General,
Bushire,
28th April, 1933.

Reference to previous correspondence : Bushire telegram No. 9 (No. 321 to Government of India) dated the 27th April, 1933.*

Copy sent to the Foreign Secretary to the Government of India, Simla.

Enclosure 1 in No. 81.

(Confidential.)

SIR, Political Agency, Bahrein, 15th April, 1933.

I HAVE the honour to refer to the Political Agent's letter dated the 7th April, 1933, and to enclose a copy of a further letter dated the 11th April, 1933, received from the Chief Local Representative, the Bahrein Petroleum Company, Limited.

2. The letter is dated " Kuwait, 11th April, 1933," but was received by air mail in a cover posted at *Cairo* on that date. It is signed :—

" Frank Holmes,
per.....Mohammad."

3. Attached to the letter is a slip giving Major Holmes' address as follows :—

Frank Holmes,
Apt 44 Smm C.,
140 Sh Emad al Din,
Cairo (Egypt).

I am, &c.,
ABDUL HAIY,
Indian Assistant, Bahrein.

To the Honourable the Political Resident
in the Persian Gulf,
Bushire.

Copy of letter dated Kuwait, 11th April, 1933, from Major F. Holmes, Chief Local Representative, the Bahrein Petroleum Company, Limited, to the Political Agent, Bahrein.

I have the honour to refer to my letter of 4th instant, and to enclose herewith one copy of the Indenture covering the proposed agreement between His Excellency the Shaikh of Bahrein and the Bahrein Petroleum Company, Limited.

This Indenture covers the proposition referred to in the second paragraph of my letter under reference.

Indenture.

Between SHAIKH HAMAD BIN SHAIKH ISSA AL KHALIFAH, Shaikh of Bahrein (hereinafter called " the Shaikh ") acting on the advice of the British Political Resident in the Persian Gulf of the one part and THE BAHREIN PETROLEUM COMPANY, LIMITED (hereinafter called " the Bahrein Company "), a Company incorporated under the Laws of the Dominion of Canada, of the other part.

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* No. 72.

WHEREAS this Indenture is supplemental to the Concession Agreement dated the second day of December One thousand Nine hundred and Twenty-five and made between the Shaikh of the one part and Eastern and General Syndicate Limited of the other part and now vested by assignment in the Company which Agreement has been extended and modified by an Indenture dated the twelfth day of June One thousand Nine hundred and Thirty and further extended by Agreement to the Second day of December One thousand Nine hundred and Thirty-three.

Now this Indenture Witnesseth that it is hereby agreed and declared that the said Concession Agreement shall be further modified in manner hereinafter appearing, that is to say :—

1. In lieu of the right to select up to 100,000 acres in not more than three blocks, as now provided in the Concession, THE BAHREIN COMPANY shall have the right until 2nd March, 1935, to select up to 200,000 acres in not more than six blocks. The present Prospecting Licence is, therefore, extended to 2nd March, 1935. In return for this THE BAHREIN COMPANY undertakes as follows :—
   (*a*) THE BAHREIN COMPANY will pay THE SHAIKH rupees ten thousand (Rs. 10,000/-) within thirty days after the execution of the AGREEMENT.
   (*b*) The annual payment of rupees ten thousand (Rs. 10,000/-) now provided to be paid to the SHAIKH under the prospecting Licence shall be changed hereafter to RUPEES TWENTY THOUSAND (Rs. 20,000/-).
   (*c*) The minimum annual payment of RUPEES THIRTY THOUSAND (Rs. 30,000/-) as now provided to be paid THE SHAIKH commencing with the year after the date of the declaration that oil has been found in commercially exploitable quantities shall be changed to RUPEES SIXTY THOUSAND (Rs. 60,000/-).
   (*d*) During the continuance of the Concession but in no event for more than TWENTY (20) months, THE BAHREIN COMPANY will advance to THE SHAIKH rupees nine thousand (Rs. 9,000/-) each month, commencing with the month following the date of the execution of the Agreement. These monies so advanced may be recovered by THE BAHREIN COMPANY (without interest) from oil royalties due THE SHAIKH in the following manner and not otherwise :—

If and when the royalty due THE SHAIKH for any one year exceeds rupees sixty thousand (Rs. 60,000), THE BAHREIN COMPANY may deduct and retain an amount up to ONE-FOURTH of such excess for every such year until the total of the amounts so deducted and retained by THE COMPANY is sufficient to satisfy the monies advanced to THE SHAIKH by THE BAHREIN COMPANY

Dated ....., 1933.

.....

Shaikh of Bahrein.

BAHREIN PETROLEUM COMPANY, LIMITED.

By .....

Its Attorney in fact.

Before me

.....

Enclosure 2 in No. 81.

(Confidential.)

SIR, Political Agency, Bahrein, 22nd April, 1933.

I HAVE the honour to enclose three copies of a letter No. 89, dated the 22nd April, 1933, from the Adviser to the Bahrein Government.

I have, &c.,
ABDUL HAIY,
Indian Assistant.

To the Honourable Lieutenant-Colonel Gordon Loch, I.A.,
Officiating Political Resident in the
Persian Gulf,
Bushire.

(Confidential.)
No. 89 of 1351.

Office of the Adviser to the Government of Bahrein,
Dated, Dil Haj 27, 1351.
22nd April, 1933.

SIR,

I HAVE the honour to refer to your C/146 dated 7th April, 1933, enclosing a letter dated 4th April, 1933, from the Chief Local Representative of the Bahrein Petroleum Company, who applies for an extension of the prospecting licence for one year and who makes an alternative proposal.

The whole matter has been carefully considered by His Excellency Shaikh Hamad and it has been discussed very fully with Shaikhs Mohomed, Abdullah, and Sulman. The opinion which was finally arrived at is expressed in the enclosed letter addressed to you by His Excellency Shaikh Hamad.

Briefly this government is not disposed to grant the extension of one year which it considers it has the right to grant or refuse. The fact that last summer, when the Company applied for an extension of two years, of which only one year was granted, is taken as a definite indication that this Government has the right to grant or to refuse such an application. If, however, this Government is informed by the British Government that according to the meaning of the Concession it is not within this Government's power to withhold the extension then it will be reluctantly compelled to give way. It is unwilling to grant this extension as it would result in postponing the increased payments (Rs. 30,000/- per annum) which become due when the Company enters the Mining Lease. If, however, the Government is definitely informed by you that its attitude, which is based on its own interpretation of Clause IV, is tenable, it is then prepared to allow the extension on conditions that the Company in return for being given an extension, to which they have no definite right, make a loan to the Government from its future Royalties.

In the case of the Chief Local Representative's second proposal: this Government is prepared to consider granting a mining lease over the second 100,000 acres if the Company will pay a more adequate amount.

In both these matters His Excellency Shaikh Hamad is anxious to hear the opinion of the British Government as soon as possible. The financial situation is at present serious and it is likely to become more serious owing to the probable loss of the R.E. trade and it would be a very great relief to His Excellency Shaikh Hamad if he could count on an increase in the revenue of the State from payments from the Bahrein Petroleum Company.

I have, &c.,
C. DALRYMPLE BELGRAVE,
Financial Adviser.

To His Britannic Majesty's Political Agent,
Bahrein.

Bahrein, 25th Dil Haj 1351.

After Compliments :—

WE have received your letter No. C/146 dated 7th April, 1933, addressed to the Adviser, enclosing a letter from Major Frank Holmes, Chief Representative, Bahrein Petroleum Co., Ltd. We are surprised at the absence of Major Holmes from Bahrein during the discussion of such an important matter. We should be obliged if you would inform the Honourable the Political Resident in the Persian Gulf of the following facts.

We understand that the Company wishes us again to extend the prospecting licence for another year. The Company asked us last year to extend the prospecting licence for two years and after considering their request we refused to extend it for two years, but we agreed to extend it for one year, ending 2nd December, 1933, corresponding with 14th Shaaban 1352.

It appears from the letter of Major Holmes that the Company considers that it has the right to another year. Although we agree that the Company has carried out its work to the best of its ability and without delay, we think that according to the meaning of Article 4 of the Concession the Company has not the right to another year in case we are not pleased to grant another year.

Article 4 of the Concession is as follows :—" The prospecting licence referred to in the preceding Article may be extended for a further period of two years on the Company's showing to the satisfaction of the Shaikh, acting on the advice of the Political Resident in the Persian Gulf, that such an extension is justified."

We previously refused to grant the Company two years and now we see no reason for changing our decision. If, however, the meaning of Article 4 is not as we understand it and we are obliged according to the Concession to grant the Company one more year after the 2nd December, 1933, perhaps you will inform us about it.

We must consider which of the two matters referred to in your letter is most profitable to our country and the public good. It is not hidden from you that our Government at present is in a state of severe need owing to the decrease of revenue. If we should agree to one year we would not benefit our revenue unless the Company should pay an amount greater than the amount laid down or unless the Company is prepared to give us a loan from our future profits in return for this extra year. But we do not know if this, our suggestion to the Company, is possible or not. We request you to inform us about this.

With reference to the second matter mentioned in Major Holmes's letter, that the Company wishes to make an agreement for another 100,000 acres (feddan) that is that the Company would have the right to obtain oil from almost all the area of Bahrein if oil should exist in it.

In truth, in a matter of such importance as this it is impossible to give a final decision in a short time, and for this reason we are astonished at the Company's request for an answer from us in a short time. We consider that the additional area has a value greater than its previous value, for it is proved that in some parts of Bahrein there is oil, a matter which was unknown and uncertain in the past. For this reason we think that the offer of the Company is inadequate. Although at present we are in severe need for money, this need should not oblige us to accept what the Company offers if it is not suitable.

On examining the offer we noticed the following points :—

(1) Paragraph (*a*) of Major Holmes's letter goes that the Company is to pay to us Rs. 10,000/- when the agreement is signed, but this amount is very small.
(2) In paragraph (*b*), that the Company is to pay Rs. 20,000/- annually for an area amounting to 200,000 acres. Now we said before that the additional area is worth more than it was before owing to the proof of there being oil in some parts of Bahrein.
(3) We understand from paragraph (*c*) that we shall receive Rs. 60,000/- per annum after the Company declares that oil is found in commercially exploitable quantity. We do not know when the Company will declare this, for this reason this item is of no benefit to us at present and on this matter we desire to know the truth as to when the Company will begin exploiting the oil.
(4) Regarding the loan mentioned in paragraph (*d*) the Company suggests our repaying a sum of Rs. 180,000/- after the Government receives Rs. 60,000/- one year as Royalty, provided that the Government will not refund more than one-fourth of the Rs. 180,000/- in one year.

It is not likely that we should accept this loan and repay one-fourth of the amount borrowed until we received Rs. 100,000/- net and the repayment should be from the sums which the Government is to receive after receiving Rs. 100,000/- in one year

It is unlikely that we would grant the Company the additional area which they request us for unless we are sure that the conditions it offers to us are suitable and adequate to us and the public good.

We think that the Bahrein Petroleum Company has right to pre-emption in having the additional area but if we offered the additional area to another Company it might be possible that we should obtain better and more favourable conditions than from this Company.

Finally, regarding their application for another year, we do not wish to grant them their request because the result of this will be the postponing of the payment of the amounts which we are entitled to according to the Concession. Regarding the additional area we are prepared to consider the matter provided that the Company offers to us better terms than the terms mentioned in Major Holmes's letter. May be preserved and Salaams.

HAMAD BIN ISSA AL KHALIFAH.

To Lieutenant-Colonel Gordon Loch,
His Britannic Majesty's Political Agent.
Bahrein.

18135/33 [No. 139].

No 82.

COLONIAL OFFICE to MR. H. R. BALLANTYNE.

[*Answered by No. 95.*]

SIR, Downing Street, 25th May, 1933.

I AM directed by Secretary Sir Philip Cunliffe-Lister to refer to your visit to this Department with Mr. Lombardi on the 8th May, at which inquiry was made whether, and if so what, further information was required in order to facilitate the consideration of the application made by the Bahrein Petroleum Company for an extension of their prospecting licence beyond the 2nd of December, 1933.

2. I am now to request that the Bahrein Petroleum Company will be good enough to furnish further information on the following points :—

(1) *Geological work* carried out and areas examined.
(2) *Drilling. Particulars of wells drilled.*
(*a*) Location of wells (indicated on a map).
(*b*) Date of commencement and completion.
(*c*) Depth reached to date.
(*d*) Occurrences of oil met with and depth.
(*e*) Result of production tests, if any.
(*f*) New locations selected or projected.
(3) *Personnel.* Description and nationality.
(4) *Buildings, tankage, pipelines, &c.*, erected or laid.

On the receipt of this information the Company's application will receive further consideration, in consultation with the other interested Departments of His Majesty's Government, and the authorities concerned in the Persian Gulf.

I am, &c.,
H. F. DOWNIE.

18135/33 [No. 140].

No. 83.

MR. A. C. C. PARKINSON (COLONIAL OFFICE)
to
LIEUTENANT-COLONEL T. C. FOWLE (POLITICAL RESIDENT IN THE PERSIAN GULF).

MY DEAR FOWLE, Downing Street, S.W.1, 25th May, 1933.

WE are sending you by this mail an official despatch* regarding the Bahrein Oil Concession, from which you will see that there has been a development in the position since the meeting held on the 3rd May.

At a recent interview which I had with Ballantyne and Lombardi, the latter asked whether there was any further information required from the Company as to how they had fulfilled the requirements of Article IV. After consultation with the Petroleum Department, we have taken the opportunity to ask the Company for the further particulars shown in the first enclosure to our official despatch. We must therefore now await their reply before taking any further action.

Yours, &c.,
A. C. C. PARKINSON.

18135/33 [No. 141].

No. 84.

THE SECRETARY OF STATE to THE POLITICAL RESIDENT.

(Confidential.)

SIR, Downing Street, S.W.1, 25th May, 1933.

WITH reference to the Acting Political Resident's despatch, No. 27 of the 28th of April,† regarding the Bahrein Oil Concession, I have the honour to transmit

* No. 84. † No. 81.

to you a copy of a letter* which has been addressed to the Bahrein Petroleum Company on the subject of their application for an extension of their prospecting licence.

2. I take this opportunity to enclose a copy of correspondence† with the Treasury Solicitor regarding the interpretation of Article IV of the Company's Concession Agreement. This correspondence was initiated in accordance with the decision recorded in paragraph 17 of the record of the meeting held at the Colonial Office on the 3rd of May.‡ A further communication will be addressed to you when the Company have furnished the further information asked for, and when the advice tendered by the Treasury Solicitor has been considered in consultation with the other interested departments of His Majesty's Government.

I have, &c.,
P. CUNLIFFE-LISTER.

18135/33 [No. 178].

No. 85.

THE POLITICAL RESIDENT to THE SECRETARY OF STATE.

(Received 9th June, 1933.)

(Confidential.)
(No. 33.)

British Residency and Consulate-General,
Bushire, 2nd June, 1933.

SIR,

I HAVE the honour to enclose herewith copy of a letter, dated the 17th May, 1933, received by the Political Agent, Bahrein, from Major Holmes, which raises some important considerations. It will be observed that, in the last paragraph of his letter, Major Holmes refers to the proposals contained in his letter as the "offer of His Excellency" (the Shaikh). It is obvious that the latter is quite incapable of drawing up such a complicated document, and I have received a brief telegram from Colonel Loch that the "offer" came in fact from Major Holmes. Unfortunately a further communication from Colonel Loch, mentioned in his telegram as being sent by post, has been over-carried to Basrah, it being too rough here for the steamer to land the mails. I hope to be in possession of the letter by next week when my detailed comments will follow.

I am sending a copy of this despatch, with enclosure, to the Government of India.

I have, &c.,
T. C. FOWLE,
Lieutenant-Colonel,
Political Resident in the Persian Gulf.

Enclosure in No. 85.

THE BAHREIN PETROLEUM COMPANY, LIMITED.

DEAR SIR,

Bahrein Islands, Persian Gulf, 17th May, 1933.

I HAVE the honour to refer you to my letter dated 4th April, 1933 (copy of which is herewith enclosed). His Excellency the Shaikh of Bahrein requested me to call at Sakhir to discuss with him the subject-matter of the above-mentioned letter. His Excellency informed me that, taking into consideration the stage reached in developing the Bahrein Oil Concession, he had formed the opinion that the Bahrein Petroleum Company's offer, as expressed in my letter of 4th April, was inadequate. After considerable discussion, at which Shaikh Sulaiman was present, the result of which was that His Excellency Shaikh Hamad agreed (subject to the approval of the Political Resident, the Political Agent, Bahrein, and the Financial Adviser to the Bahrein Government) in consideration of the payments hereinafter reserved and contained in exercise of his powers as Ruler and Sovereign of his Dominions for himself, his Heirs, and subjects, to grant unto the Bahrein Petroleum Company, Limited, the exclusive right and easements whereby the Company shall be entitled throughout the whole of that portion of His Excellency the Shaikh's Territories, including all the Islands and all the

* No. 82. † Nos. 78 and 80. ‡ No. 75.

Territorial Waters, remaining after excluding and apart from that area already covered by the Concession Agreement dated 2nd December, 1925, to explore and search the surface of the above-mentioned area as described in this Present upon the following terms and conditions :—

(*a*) Upon the day His Excellency Shaikh Hamad Bin Esa Al Khalifah, Ruler of Bahrein signs and seals the Deed Instrument covering the area (described in paragraph one hereof) an initial payment by the Company of the sum of Rupees forty thousand (40,000) shall be made for the private purse of His Excellency Shaikh Hamad, and in addition to the initial payment of Rupees forty thousand (40,000) mentioned in this Present the Company shall pay for the private purse of His Excellency Shaikh Hamad twenty (20) monthly payments of Rupees three thousand (3,000) each the first of such monthly payments of Rupees three thousand (3,000) each shall be made one month from the date of the execution of the Deed Instrument covering the area (paragraph One hereof) and the remaining monthly payments of rupees three thousand (3,000) each shall be made on the same date of each subsequent month until the whole of the twenty (20) monthly payments have been made.

(*b*) Twenty monthly payments of Rupees ten thousand (10,000) will be made to the Bahrein Government. The first of such twenty (20) monthly payments of Rupees ten thousand (10,000) to be paid within fourteen (14) days of the execution of the Deed Instrument. The remaining monthly payments of Rupees ten thousand (10,000) to be made to the Bahrein Government on the same date of each subsequent month until the whole of the twenty (20) monthly payments have been made.

(*c*) The Concession granted covering the whole of the additional area including all the Islands and all the Territorial Waters of the Shaikh's Dominions shall be governed in all ways by the terms and conditions as laid down in the Concession Agreement of 2nd December, 1925, and the additional area shall, upon execution thereof, become an integral part of the Concession Agreement of 2nd December, 1925, excepting certain payments which shall be increased as set forth in the following paragraph (*d*).

(*d*) The payments to be made on the additional area, as regards annual rental and minimum royalty, shall be the same as laid down in the Concession Agreement dated 2nd December, 1925, and such payments shall be in addition thereto, and the same shall apply to the Deed Instrument covering the whole of the remainder of the available Territory of Bahrein including all the Islands and all the Territorial Waters (paragraph One hereof). The Prospecting Licence for both areas upon the execution of the Deed granting the additional area shall *ipso facto* continue current for a period of twenty (20) months from the effective date of such Deed, and thereafter the Mining Lease (Schedule III) shall become operative.

(*e*) Major Holmes shall place the above terms before the Bahrein Petroleum Company, Limited, and he shall inform the Political Agent, Bahrein, either by letter or by cable within twenty-one (21) days whether the Company are prepared to agree to this offer of His Excellency Shaikh Hamad Bin Esa Al Khalifah, or otherwise.

2 After the completion of the twenty (20) monthly payments mentioned in paragraph (*b*) hereof the Bahrein Petroleum Company, Limited, is willing to make a loan or loans to the Bahrein Government against future royalties on oil which may become due from time to time; moreover the Company is prepared to make a specific loan to the Bahrein Government of Rupees two hundred thousand (200,000) or part thereof in twenty monthly instalments of Rupees ten thousand (10,000) each. The first monthly instalment of Rupees ten thousand (10,000) of such specific loan to become due in one year and nine months from the date of these Presents, PROVIDED ALWAYS that the world market for oil and the development of the oil resources of the Bahrein Concession during the above-mentioned period of one year and nine (21) months continue to be such that they present a reasonable prospect of making the recovery of such specific loan possible, but given unfavourable prospect of recovery the monthly payment may cease or be suspended by the Company until conditions become normal.

3. The recovery of the above-mentioned loan or loans may only be made from any royalties on oil, which may become due, in excess of Rupees eighty thousand (80,000) in any calendar year.

4. I have promised his Excellency the Shaikh to inform the London Office of the Company on the subject matter of this letter and to request a decision with regard to the offer of His Excellency with the least possible delay.

I am, &c.,
FRANK HOLMES,
Chief Local Representative,
The Bahrein Petroleum Company, Limited.

His Britannic Majesty's Political Agent,
Bahrein.

18135/33 [No. 185].

No. 86.

THE POLITICAL RESIDENT to THE SECRETARY OF STATE.

(Received 6.44 p.m., 22nd June, 1933.)

TELEGRAM.

[*Answered by No.* 91.]

(Paraphrase.)

22ND JUNE. No. 15. Addressed to Secretary of State for the Colonies copy by post to the Government of India. A wire has been received from the Political Agent, Bahrein, that Sampson has addressed a letter* to him on behalf of the Anglo-Persian Oil Company that regarding territories of Bahrein not yet allocated for oil development the Company desire to come to an arrangement with the Shaikh whereby the Company will have sole right over period for negotiating for an agreement for development of such areas. Period was not specified.

2. Shaikh was approached informally and replied that he must consult the Political Agent. He now asks for the advice of Government.

3. Political Agent suggests that he should ask for the views of the Bahrein Government officially on the proposals of the Anglo-Persian Oil Company. I concur as this will result in putting the Company into official touch with the Bahrein Government, and details such as period will then be cleared up, when the proposal can be considered on its merits.

4. It appears to me that there are obvious advantages in having competition especially British in the field.

18135/33 [No. 190].

No. 87.

NOTE OF OBSERVATIONS UPON THE PETROLEUM DEPARTMENT'S MEMORANDUM ON THE FORM OF MINING LEASE, WHICH FORMS THE THIRD SCHEDULE TO THE AGREEMENT OF 2ND DECEMBER, 1925, BETWEEN THE SHAIKH OF BAHREIN AND THE EASTERN AND GENERAL SYNDICATE.

THE amendments proposed in Articles 1, 2, 3, 8 (first sentence), 10, and 12, are of a technical nature, and can presumably be put, as they stand, to the Bahrein Petroleum Company for their consideration.

2. *Articles* 3 *and* 9 (*page* 2 *of memorandum*).—The proposal to ask the Company to agree to make an annual payment of Rupees 30,000 at an earlier date than that provided in the form of lease may present certain difficulties. The whole question of future payments will, however, have to be reviewed in the light of the latest proposals made by the Company, and it seems best to leave this matter for discussion at a later stage.

3. *Article* 5 (*second paragraph*).—The wording of this Article is certainly not very clear. The Petroleum Department would, perhaps, suggest a revised wording which could be submitted to the Company.

4. *Article* 8 (*second sentence to the end*).—As in the case of the proposed amendment of Articles 3 and 9, these proposals also may present some difficulties, but

* *See* sub-enclosure in enclosure 1 in No. 106.

as it is understood that payments of this nature would be in accordance with modern practice, they might be put to the Company.

5. As regards the additional provisions proposed, *Nos.* 1, 2, 3, 4, 5, *and* 6 seem to require no comment, and these additions might be submitted to the Company.

6. As regards *No.* 7, there has been further correspondence since the Air Ministry wrote their letter of the 13th May, 1929,* the sites for the landing ground and seaplane station on Bahrein Island have been selected, and the Company have been informed accordingly. There has, however, been further correspondence with the Air Ministry regarding a possible landing ground on Muharraq Island, and they are being requested to state what is the present position in this respect.

7. *No.* 8. Paragraph 26 of the record of the Interdepartmental meeting held on the 3rd May† shows that the general opinion of Departments is that the Company should be pressed to accept both the safeguards referred to. The Admiralty and Petroleum Department will, perhaps, suggest the precise terms of the articles which should be submitted to the Company to cover these points.

18135/33 [Nos. 192-195].

No. 88.

MR. K. W BLAXTER (COLONIAL OFFICE)

to

[1] MR. F. C. STARLING (PETROLEUM DEPARTMENT).
[2] MR. C. F. A. WARNER (FOREIGN OFFICE).
[3] CAPTAIN H. R. MOORE (ADMIRALTY).
[4] MR. J. G. LAITHWAITE (INDIA OFFICE).

[*Answered* [2] *by No.* 97, *and* [4] *by No.* 105.]

Downing Street, S.W.1, 26th June, 1933.

MY DEAR [STARLING,] [WARNER,] [MOORE,] [LAITHWAITE,]

WE sent you on the 19th June a copy of a further despatch‡ from Fowle regarding the Bahrein Oil Concession. I do not think that we can take any further steps until we have received the Resident's detailed comments upon these new proposals; and we are also still awaiting the Company's answer to our letter of 25th May§ asking them for information on certain points. We ought to get the Resident's comments at any moment, and there seems no reason why an answer from Ballantyne to our letter of the 25th May should not be received very shortly.

Meantime, however, we think that it would be a good thing to try to clear our minds in regard to the amendments which in any case we want to see introduced in the mining lease and which we propose at the appropriate moment to put to the Company. On the 2nd May‖ [*To* [2], [3] *and* [4] : Starling] [*To* [1] : you] sent me a memorandum prepared by the Petroleum Department on this matter. [*To* [2], [3] *and* [4] : A copy of it, I understand, was sent to you.] We have now prepared a short commentary¶ upon that memorandum, a copy of which I enclose. [*To* [2], [3] *and* [4] : Would you kindly say whether you agree with the comments made in this note, and, if not, what your views are on any particular points?]

[*To* [1] : You will see from paragraphs 3 and 7 of the note that we should particularly like to have your views as to a satisfactory rewording of Article 5 and as to the exact proposals regarding pre-emption and refining which should be put to the Company.]

[*To* [3] : You will see from paragraph 7 of the note that we should particularly like your views as to the exact proposals regarding pre-emption and refining which should be put to the Company.]

As regards paragraph 6 of the note I enclose a copy of a letter** which was sent to Mr. Duncan Smith (then the representative of the Company in London) about the landing ground and seaplane station on Bahrein Island, and also a copy of the later correspondence†† with the Air Ministry regarding a possible landing ground on Muharraq Island.

* No. 17 in Middle East No. 32. † No. 75. ‡ No. 85. § No. 82. ‖ No. 74.
¶ No. 87. ** No. 71 in Middle East No. 32. †† Nos. 7, 8, and 9.

[*To* [1]: I am sending a copy of the note to Warner, Moore, and Laithwaite, asking whether they have any observations.]

[*To* [2], [3], [4]: I am writing on similar lines to [*To* [2]: Moore and Laithwaite;] [*To* [3]: Warner and Laithwaite;] [*To* [4]: Warner and Moore;] and am sending a copy of a note to Starling for his observations on one or two points.]

Yours, &c.,
K. W. BLAXTER.

18135/33 [No. 196].

No. 89.

THE POLITICAL RESIDENT to THE SECRETARY OF STATE.

(Received 3.25 p.m., 26th June, 1933.)

[*Answered by No.* 91.]

(Paraphrase.)

26TH JUNE. No. 16. Addressed to Secretary of State for the Colonies copy by mail to Government of India.

My telegram No. 15 of 22nd June.* The Political Agent Bahrein telegraphs that he has received a letter dated 15th June† from Holmes which elaborates the fiction of the Shaikh's "offer" and contains the Company's "counter offer" the chief modification in which is that the Company consider that 20 monthly payments to Bahrein Government (*b*) of Holmes' letter of 17th May‡ should be recovered from royalties as in the 2nd paragraph of that letter.

2. The Political Agent suggests that this letter be communicated to Bahrein Government simultaneously with the Anglo-Persian Oil Company's letter (paragraph 3 of my above-mentioned telegram). I concur in this suggestion.

3. The Political Agent suggests also that the Bahrein Petroleum Company, who are already suspicious of the Anglo-Persian Oil Company's activities should be told by us, on the Shaikh's behalf, of the proposals of the Anglo-Persian Oil Company in general terms as coming from "another oil interest." The Anglo-Persian Oil Company is the only other oil interest and I suggest that Bahrein Petroleum Company be informed accordingly, the Anglo-Persian Oil Company's headquarters in London being informed first.

18135/33 [No. 197].

No. 90.

THE POLITICAL RESIDENT to THE SECRETARY OF STATE.

(Received 10.29 a.m., 27th June, 1933.)

TELEGRAM.

[*Answered by No.* 91.]

(Paraphrase.)

No. 17 OF 27TH JUNE. As Chisholm of Anglo-Persian Oil Company is due to arrive in Bahrein on the 29th June the Political Agent, Bahrein, so as to avoid the imputation from the Bahrein Petroleum Company that he is holding up their offer in order to favour the Anglo-Persian Oil Company is anxious to make communications referred to in 2nd paragraph and 3rd paragraph of my telegram of 26th June, No. 16§ to the Bahrein Government before Chisholm arrives. I concur. Please telegraph reply urgently.

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* No. 86. † *See* sub-enclosure in enclosure 2 in No. 106. ‡ Enclosure in No. 85. § No. 89.

18135/33 [No. 202].

No. 91.

THE SECRETARY OF STATE to THE POLITICAL RESIDENT.

(Sent 9.40 p.m., 28th June, 1933.)

TELEGRAM.

[*Answered by Nos.* 92 *and* 94.]

No. 9. YOUR telegrams No. 15 of 22nd June,* No. 16 of 26th June,† No. 17 of 27th June.‡ Bahrein oil.

Anglo-Persian Oil Company can only take an interest in Bahrein by permission of or as agents for 'Iraq Petroleum Company. Matter has not yet been discussed between these Companies and decision cannot be taken before next Board meeting of 'Iraq Petroleum Company on 20th July. Anglo-Persian Oil Company are not anxious to take any definite action until after that date. Position was explained yesterday by Anglo-Persian Oil Company to their local people by telegraph. In these circumstances Political Agent should suspend communication to Bahrein Government of Anglo-Persian Oil Company's offer. There is no objection to his communicating to Bahrein Government Holmes's letter of 15th June,§ but we think it very desirable to clear up at once position regarding offer alleged to have been made by Shaikh and to ascertain what attitude Shaikh adopted at interview with Holmes. It is in our view important to get this aspect of matter cleared up without delay, and if, as is probable, no such offer was made by Shaikh that Holmes should be confronted with the true position. I shall be glad, however, if you will report to me what the Shaikh says before any communication is made to Holmes.

It would, as you will appreciate, be much more satisfactory from our point of view if remainder of island were to be developed by Anglo-Persian Oil Company or 'Iraq Petroleum Company, though acceptance of American offer may possibly be inevitable if no offer is made by other interests. Unless you see objection Loch should therefore inform Belgrave confidentially that he understands that Anglo-Persian Oil Company are actively interested but cannot reach decision as to competing for another month; that our advice regarding American offer must necessarily to some extent turn on whether or no there is substantial competitor in field and that in Shaikh's own interest it is most desirable that he should avoid committing himself in any way to Holmes pending receipt of our advice. Loch would no doubt impress on Belgrave the confidential nature of above information as to attitude to Anglo-Persian Oil Company —CUNLIFFE-LISTER.

18135/33 [No. 207].

No. 92.

THE POLITICAL RESIDENT to THE SECRETARY OF STATE.

(Received 1.39 p.m., 29th June, 1933.)

TELEGRAM.

29TH JUNE. No. 18. Your 9.‖ Bahrein oil. 1. I have repeated your telegram to Political Agent, Bahrein, and have asked him to take action accordingly. 2. Position of Holmes and the Shaikh was made clear in my despatch 36, 12th June,¶ sent by bag from here 14th June. Paragraph 3. Holmes is now in England.

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* No. 86. † No. 89. ‡ No. 90. § Sub-enclosure in enclosure 2 in No. 106.
‖ No. 91. ¶ No. 94.

18135/33 [No. 213].

No. 93.

THE POLITICAL RESIDENT to THE SECRETARY OF STATE.

(Received 1.34 p.m., 3rd July, 1933.)

TELEGRAM.

(Paraphrase.)

3RD JULY. No. 20. The Political Agent has been informed by the Manager, Bahrein Petroleum Company, that he has telegraphed for Holmes urgently. Copy by mail to the Government of India.

18301/33 [No. 43].

No. 94.

THE POLITICAL RESIDENT to THE SECRETARY OF STATE.

(Received 3rd July, 1933.)

[*Answered by No.* 101.]

(Confidential.)
(No. 36.)

British Residency and Consulate-General,
Bushire, 12th June, 1933

SIR,

IN continuation of my letter No. 33, dated the 2nd June, 1933,* I have the honour to enclose a copy of a letter, No. C/182, dated the 29th May, 1933, from the Political Agent, Bahrein. The letter covers two main points: Major Holmes's action in the matter of the offer of the Company and the merits of the offer itself.

2 Reference paragraph 3 and 4 of Colonel Loch's letter. Major Holmes's conduct in the matter can be criticized on the following points:—

(*a*) His infringement of Condition C of the Schedule attached to the indenture between Shaikh Hamad bin Isa Al Khalifah and the Eastern and General Syndicate, Limited, dated the 12th June, 1930, in approaching and endeavouring to negotiate direct with His Excellency Shaikh Hamad.

(*b*) His statement that the *offer* contained in his letter of 17th May to the Political Agent came from the Shaikh (paragraph 4 of the said letter) which His Excellency flatly denies.

(*c*) His statement that the Shaikh agreed to certain proposals (paragraph (1) of the letter). His Excellency denies that he agreed to any proposals at all.

(*d*) His statement with regard to certain particular matters: (1) inclusion of territorial waters (paragraph (1) of the letter), and (2) the provision that the loan, or advance, mentioned in paragraph 2 of the letter should be dependent on the world market for oil.

His Excellency states that neither (1) nor (2) were mentioned to him at all. Even allowing for a certain amount of genuine misunderstanding in the course of conversation, especially with an Arab Shaikh, I do not see how the differences between Major Holmes's and the Shaikh's account of their discussions can be reconciled. Major Holmes's statement (*b*) is absurd on the face of it. Shaikh Hamad is, of course, quite incapable of drawing up such a complicated document. Major Holmes's object in stating that the offer came from the Shaikh is, of course, obvious. He wishes to represent the Shaikh of Bahrein as having made an offer to his Company, and therefore to put His Majesty's Government, if they should object to any features of this offer, in the awkward position of interfering between the Shaikh and what the latter thinks to be for his own benefit and that of his State.

3. Nor are Major Holmes's mis-statements confined to the matter of Bahrein oil. In the matter of Kuwait oil he has only recently made a statement which His Excellency Shaikh Ahmad bluntly stigmatized as a lie (*vide* my despatch No. 34, dated the 8th June, 1933,† copy to Government of India under Bushire printed letter No. 631-S of same date).

4. Major Holmes's unfitness for the post of Chief Local Representative of the Bahrein Petroleum Company has been the subject of some correspondence of late, chiefly on account of his long absences from Bahrein, and as Colonel Loch points out

* No. 85.

† No. 272.

in paragraph 4 of his letter, Major Holmes is again absent. In the present instance Colonel Loch suggests that Major Holmes be called upon for an explanation of his action under (*a*)-(*d*) mentioned above. I doubt whether much practical good would result from a request for this explanation. I suggest rather that the Company be informed—

(1) that Major Holmes is absent from Bahrein for long periods, and that he is again absent now when a discussion of the Company's offer may be essential at any moment;

(2) that he infringed Condition C as explained in (*a*) above. The fact that Colonel Loch was absent in Bahrein at the time (acting for me at Bushire) was of course no excuse. The Indian Assistant in the Political Office had been left in charge, and Major Holmes could have approached him, or conversely have sent his proposal to Colonel Loch at Bushire;

(3) that in his letter of 17th May* to the Political Agent, Major Holmes made various statements as to his discussions with the Shaikh which the latter denies;

(4) that in these circumstances from our point of view, and doubtless also from that of the Company, it is no longer desirable that Major Holmes should continue to hold the post of Chief Local Representative and that somebody else must be appointed. Colonel Loch, with whom I had the opportunity of discussing the question, would be quite willing that Mr. Skinner, the Company's Fields Manager at Bahrein, should occupy this post, and from what I have seen of Mr. Skinner I concur in this suggestion.

5. With regard to the merits of the offer itself. A comparison between the offer and what the Shaikh and the Bahrein Government would receive if they (as they have the right to do) forced the Company to take out the mining lease as from December, 1933, gives the following results:—

A. *Payments by Company if Mining Lease is taken out in December*, 1933.

	Rs.
(1) On grant of mining lease, under Article III	10,000
(2) On each anniversary (Article III) until Company declares oil in commercially exploitable quantities, for which, under Article X, they have 5 years	10,000
(3) Thereafter, annually, minimum Royalty (Article IX)	30,000

B. *Payments under terms of offer.*

(1) On signature of deed. To Shaikh, forthwith	40,000
(2) ,, ,, ,, in 20 monthly instalments ...	60,000
(3) ,, ,, State, ,, ,, ...	200,000
(4) On grant of mining lease, 20 months later, twice the payments shown at A above, *i.e.*:—	
On grant of mining lease	20,000
Annually until Company declares oil in commercially exploitable quantities	20,000
Thereafter, annually	60,000
vide paragraph 1 (*d*) of Major Holmes's letter.	
(5) 20 months after signature of deed, *possibly* (dependent on condition of world market for oil) a loan to State in 20 monthly instalments against future royalties	200,000

Notes:—

1. Reference B (4). Similar sums are offered for the additional area as for the area as laid down in the present Concession.
2. Under the terms of the offer (paragraph 1 (*d*) of Major Holmes's letter) 'mining lease will commence 20 months after agreement has been signed.
3. The proviso that the loan to the Bahrein Government from the Company will depend on the state of world market for oil, &c. (paragraph 2 of Major Holmes's letter) lessens the attractiveness of the terms of the offer.

6. It will be seen, therefore, that B is probably considerably more profitable to the Shaikh's private purse, and to the Treasury of the Bahrein Government, than A. I say "probably," since if under A the Comany produced a large output of oil, the

* Enclosure in No. 85.

royalties to the Shaikh might make up more payments under B. On the other hand, if it suited the Company, owing to difficulties in marketing their oil, to produce as little as possible, it would be very difficult I imagine to force them to produce more. and under the mining lease they could go on producing a minimum of oil and paying the minimum annual rental of Rs. 10,000/- (*vide* Article III of the mining lease) for a period of 5 years (Article IX of the mining lease).

7. The reason why the Company are prepared to make offer B is presumably that they foresee great difficulties in marketing their oil. That they are influenced by some powerful motive is evident from the lucrative nature of the offer. Some time ago (*vide* Major Holmes's letter dated the 4th April, 1933, enclosed with my despatch No. 26, dated the 17th April, 1933*) in return for the two concessions now asked for they offered the loan *only*.

8. The two concessions asked for by the Company from the Bahrein Government in return for their offer are :—

(1) an extension of the prospecting period by 20 months, and
(2) an extension of the mining lease area to cover the whole of Bahrein territory.

9. With regard to (1). Subject to the opinion of His Majesty's Government, I see no particular objection in view of the substantial financial benefits contained in the Company's offer. It may be possible as suggested by Colonel Loch (paragraph 6 of his letter) to get still better terms from them.

10. Concession (2), however, raised various serious and important issues The pros and cons of conceding the whole territory to the Company were discussed at the Interdepartmental Conference held at the Colonial Office on the 26th April, 1933,† One difficulty lies in the fact that the territory of the Bahrein State is not definitely known (*vide* paragraph 7 of Colonel Loch's letter). I will endeavour in conjunction with Colonel Loch to clear this point up.

11 In considering the whole question of the Bahrein Petroleum Company, the possibility should not be lost sight of that they do not intend to exploit the oil field themselves, provided they can sell the Concession at a profit to themselves to some other Company.

I am sending copy of this despatch to the Government of India.

I have, &c.,
T. C. FOWLE,
Lieutenant-Colonel,
Political Resident in the Persian Gulf.

Enclosure in No. 94.

(Confidential.)
(No. C/182.)

Political Agency, Bahrein, 29th May, 1933.

SIR,

I HAVE the honour to refer to my letter dated the 18th May, 1933, and to say that I sent His Excellency Shaikh Hamad bin Isa Al Khalifah a copy of the letter dated the 17th May, 1933, from the Chief Local Representative of the Bahrein Petroleum Company, Limited, in which he states certain proposals regarding the desires of the Company for an additional area in Bahrein and regarding other matters.

2. A copy is enclosed of a letter dated the 28th May, 1933 (equivalent to the 4th Safar 1352) from His Excellency Shaikh Hamad bin Isa Al Khalifah, in which His Excellency gives his views on the contents of the letter in question.

3. His Excellency's letter deserves careful study, but it is well to note certain points which emerge :—

(i) the first overture appears to have come from Major Holmes and not, as he states, from His Excellency Shaikh Hamad;
(ii) His Excellency Shaikh Hamad denies that he *agreed* to any proposals or that he made any *offer* to the Company, and
(iii) His Excellency declares that certain important matters, which appear in the letter were never mentioned to him at all : in particular the inclusion of the territorial waters (whereas the conversation referred to Bahrein

* No. 71. † No. 75.

Island only) and the provision that the question of the loan (or better advance) mentioned in the second paragraph of Major Holmes's letter should be dependent on the world market for oil.

4. Major Holmes is again away from Bahrein (I believe in England), so I have had no opportunity of discussing matters with him or of hearing anything that he may have to say; and I am not, therefore, in a position to form an opinion on this curious affair, but, on the face of it, I think that he should be called upon to explain :—

(*a*) the infringement of Condition C of the Schedule attached to the Indenture between Shaikh Hamad bin Isa Al Khalifah and the Eastern and General Syndicate, Limited, dated the 12th June, 1930, in approaching and endeavouring to negotiate direct with His Excellency Shaikh Hamad;
(*b*) the apparent misrepresentation of what passed between himself and His Excellency Shaikh Hamad, which seems to be of a nature which can hardly be attributed to faulty interpreting or to genuine misunderstanding; and
(*c*) the inclusion in his letters, as agreed to by His Excellency, of matters which were not apparently discussed with His Excellency.

5. His Excellency Shaikh Hamad bin Isa Al Khalifah is most anxious to have the matter settled as soon as possible and, in view of the financial situation, to secure what benefit he can from the oil at an early date. He feels that the Bahrein Petroleum Company, Limited, have some claim to first refusal of the remaining area (and, I think, fears that he might fall between two stools if it were to be given to another Company); and he would be willing to let them have it provided that he felt assured (*a*) that he was getting fair terms and (*b*) that the Company would agree to suitable conditions in subsidiary matters. He is, however, getting impatient at the length of time which is elapsing without his obtaining any substantial sum of money. I have counselled patience, and have reminded him that the matter is an important one, and that it is to be hoped that the ultimate benefit will justify slow and careful handling of the matter.

6. I have no means of gauging the adequacy of the terms mentioned in Major Holmes's letter (assuming that it is to be treated as a basis for discussion), but it seems clear that the Company attach considerable value to the additional territory and I think that they might be induced by negotiation through responsible channels to make a better and more clearly defined offer.

7. There is one point on which I should give a serious warning. The phrase " all the islands and all the territorial waters " is a dangerous one, for besides the well-known islands of Bahrein (the main island, Muharraq, Sitrah, and one or two islets) claims are still made to other islands and to areas on the Qatar coast (and possibly even on the Hasa coast). That these claims are not regarded locally as dead and gone is shown by the fact that I have heard mutterings that the explorers of the Anglo-Persian Oil Company, Limited, in Qatar have examined places to which the Ruler of Qatar had no right to allow them to go, and which people from Bahrein frequent to this day as a summer resort; indeed, it is said that as late as last year (1932) the Ruler of Qatar admitted in public that certain areas on the Qatar coast pertain to Bahrein. I have refrained from making inquiries, but the fact of my having heard of the matter shows that an awkward incident might arise at any time, unless the area allotted to the Company is carefully laid down.

I have, &c.,
G. LOCH,
Lieutenant-Colonel,
Political Agent, Bahrein.

The Honourable the Political Resident
in the Persian Gulf,
Bushire.

From Hamad bin Isa al Khalifah.

To His Britannic Majesty's Political Agent, Bahrein.

Bahrein, 4th Safar, 1352.
(28th May, 1933.)

After compliments :—

IN answer to your letter No. C/177 dated 24th May, 1933, enclosing a letter from Major Holmes dated 17th May, 1933, we understand that you wish us to give our opinion on the Major's letter. There appears to be a misunderstanding about the

letter because some of the points mentioned in it did not occur. We did not see the letter before it was sent to you and in it there are points which were not discussed at all between us and Major Holmes.

Major Holmes says that he visited us at Sakkir in the presence of our son Shaikh Sulman. He visited us twice at Sakkir and both times Shaikh Sulman was present. We did not request Major Holmes to visit us, but he visited us of his own accord. Major Holmes mentions in his letter that we decided, during one of his two visits to us at Sakkir, to give to his Company the additional area, according to the conditions mentioned in his letter. Yes, it is true that conversation took place about the additional area at Sakkir but we did not decide to give this Company the additional area, either at Sakkir or at any other place.

Major Holmes infers that it was we who suggested the conditions mentioned in his letter, but in reality these conditions were suggested by Major Holmes himself, not by us, but during the conversation we made certain comments on his conditions and we said to him that the conditions and the sums he offered to us were not enough and we demanded more from him. On one occasion we asked of Major Holmes double the sum which he offered to us. Another time a discussion took place that the Company should pay to us one-third of the royalty and should pay to our government the remaining two-thirds, but the Major does not mention this point in his letter at all. Moreover, Major Holmes asserts that we agreed to some conditions which were never mentioned to us. How is it reasonable that we should have agreed to something which we never knew about? He says that the Company has the right, according to one of the conditions which Major Holmes mentioned in his letter to dig for oil in all the territorial waters. In truth, there was no mention of territorial waters in our conversations. Our conversation referred to the additional area of Bahrein Island only. It now appears that the additional area does not amount to more than 38,000 acres, including towns, cemeteries, and gardens.

Also, Major Holmes says that if the world market of oil deteriorates the Company might cease paying to us the instalments from the future profits.

This point, too, was not mentioned during our conversations. Both these matters are very important and require special consideration. With regard to the territorial waters we cannot grant the Company any rights before making conditions to protect the rights of our harbours and ports. Also we shall have to make conditions concerning the towns, cemeteries, and gardens which are included in the remaining 38,000 acres.

And now we inform Your Excellency that we wish to obtain the largest possible amount from the Company. Our urgent need of money is not hidden from you. We are willing to negotiate with Major Holmes's Company about the additional area provided that the Company pays to us an adequate sum. It is impossible for us to know exactly the real value of the additional area. In this matter we resemble a diver who has in his hands pearls whose value he does not know but there are experts from whom he can ascertain the worth of his pearls. Perhaps there are experts in London from whom we can know the real value of the additional area. In this matter we ask help and advice of the British Government. As far as we are concerned this matter is not a political one but entirely a commercial matter, so we are asking the advice of the Government about a commercial matter. We cannot afford to pay expenses of experts in this matter, but perhaps if the circumstances are explained to them they will be able to advise us on the value of the additional area.

If the offer of the Company is not suitable to us we will offer the extra area to the Anglo-Persian Oil Company or the 'Iraq Petroleum Company, but in truth we should prefer the additional area to be the lot of the Bahrein Petroleum Company as they have some claim to pre-emption provided that they pay a suitable amount and accept our conditions.

We desire to complete the matter altogether as soon as possible. We have waited many years without getting any result from the matter of the oil and, as we have constantly informed you, our financial need now is greater than it has ever been before. We are afraid that our Government will not be able to continue its activity unless its revenue increases and the only hope of increasing the revenue is from oil.

Finally, please accept our sincere respect.

HAMAD BIN ISA AL KHALIFAH.

18135/33 [No. 222].

No. 95.

THE BAHREIN PETROLEUM COMPANY, LIMITED, to COLONIAL OFFICE.

[*Answered by No.* 99.]

SIR, 19, Moorgate, London, E.C.2, 4th July, 1933.

I HAVE to refer further to your letter dated the 25th May, 1933,* in which you ask this Company for further information in connexion with the consideration of the application made by this Company to His Excellency the Shaikh of Bahrein, through the Political Agent in Bahrein, for an extension of the prospecting licence beyond the 2nd December, 1933.

I have now received from the Company a report containing the particulars asked for, together with explanatory maps Nos. 1, 2, and 3, and I have pleasure in enclosing such report† and maps‡ herewith.

I have also to inform you that identical copies are being forwarded through Major Frank Holmes to Bahrein for the information of the Political Resident of the Persian Gulf, the Political Agent at Bahrein and the Financial Adviser to His Excellency the Shaikh of Bahrein.

I have, &c.,
H. R. BALLANTYNE.

18135/33 [No. 223].

No. 96.

THE POLITICAL RESIDENT to THE SECRETARY OF STATE.

(Received 10th July, 1933.)

(Confidential.)
(No. 38.)

SIR, British Residency and Consulate-General,
Bushire, 15th June, 1933.

WITH reference to paragraph 6 of Colonial Office letter dated the 11th May, 1933,§ to the Treasury Solicitor, received under cover of your despatch Persian Gulf Confidential, dated the 25th May, 1933,‖ I have the honour to point out that it seems to me that the increased payment of Rs. 30,000/- will become due not when the Company enters on the mining lease but (under Article IX thereof) when it has declared that oil has been found in commercially exploitable quantities, to make which declaration the Company has (under Article X) a limit of five years. I have indicated this in paragraph 5 A (2) of my despatch No. 36, dated the 12th June, 1933.¶

I am sending copy of this despatch to the Government of India.

I have, &c.,
T. C. FOWLE,
Lieutenant-Colonel,
Political Resident in the Persian Gulf.

18135/33 [No. 225].

No. 97.

MR. C. F. A. WARNER (FOREIGN OFFICE)

to

MR. K. W. BLAXTER (COLONIAL OFFICE).

MY DEAR BLAXTER, Foreign Office, S.W.1, 11th July, 1933.

WITH reference to your letter of the 26th June,** regarding the mining lease of the Bahrein Petroleum Company, I write to let you know that we are in general agreement with the commentary enclosed in that letter.

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* No. 82. † Not printed here. ‡ Not reproduced. § No. 78. ‖ No. 84.
¶ No. 94. ** No. 88.

2. We agree, too, that on the general question we can only wait until the situation both as between the Anglo-Persian Oil Company and the Bahrein Petroleum Company and as regards the new proposals of the latter becomes a little clearer.

3. I am sending copies of this letter to Moore, Laithwaite and Starling.

Yours, &c.,
C. F. A. WARNER.

18135/33 [No. 226].

No. 98.

THE POLITICAL RESIDENT to THE SECRETARY OF STATE.

(Received 12.35 p.m., 18th July, 1933.)

TELEGRAM.

[*Answered by No.* 101.]

18TH JULY. Addressed to the Political Resident at (? group omitted) 572. Repeated to the Secretary of State for the Colonies No. 24. Copy by post to Government of India. Fowle's telegram of the 3rd July, No. 20.* Holmes is expected to arrive at Bahrein 20th July. He probably knows roughly what has taken place, and is likely to ask Political Agent point blank about activities of the Anglo-Persian Oil Company. Propose that Political Agent should reply that Anglo-Persian Oil Company have made inquiries (with a view to negotiations) about remaining area(s), but that definite offer has not yet been received.

18135/33 [No. 236].

No. 99.

COLONIAL OFFICE to THE BAHREIN PETROLEUM COMPANY, LIMITED.

SIR, Downing Street, 19th July, 1933.

I AM directed by Secretary Sir Philip Cunliffe-Lister to acknowledge the receipt of your letter of the 4th July,† with which you forwarded a report (with explanatory maps) from the Bahrein Petroleum Company, Limited, in connexion with their application for an extension of their prospecting licence beyond the 2nd December, 1933.

2. The matter is receiving consideration, and a further communication will be sent to you in due course.

I am, &c.,
O. G. R. WILLIAMS.

18135/33 [No. 237].

No. 100.

COLONIAL OFFICE to PETROLEUM DEPARTMENT.

SIR, Downing Street, 19th July, 1933.

I AM directed by Secretary Sir Philip Cunliffe-Lister to refer to the letter from this Department of the 29th May,‡ regarding the application of the Bahrein Petroleum Company for an extension of their prospecting licence beyond the 2nd December, 1933, and to transmit to you, to be laid before the Secretary for Mines, a copy of a letter† from the Company on this subject together with the original enclosures.

2. Sir Philip Cunliffe-Lister would be glad to be favoured with the comments of the Petroleum Department upon this letter.

3. Copies of this letter and of the letter from the Company without the enclosures are being sent to the Foreign Office, India Office, and Admiralty.

I am, &c.,
O. G. R. WILLIAMS.

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* No. 93. † No. 95. ‡ 18135/33 [No. 153] : not printed.

18135/33 [No. 241].

No. 101.

THE SECRETARY OF STATE to THE POLITICAL RESIDENT.

(Sent 2.45 p.m., 20th July, 1933.)

TELEGRAM.

[*Answered by No.* 104.]

(Paraphrase.)

No. 12. YOUR despatch of 12th June, No. 36* and connected correspondence Bahrein oil.

I consider that Shaikh's denials of points in paragraph 2 (*b*), (*c*), and (*d*), should be at once communicated officially by Political Agent to Company in Bahrein if it has not already been done. It is thought desirable that repudiation should be in most categorical terms. A similar communication would be made to Company in London on hearing from you.

The whole question of how best to deal with the situation which has arisen is being urgently considered. It has been suggested that best course would be to follow up official letter referred to in paragraph 1 by further letter on behalf of Shaikh intimating that while the position in regard to proposal made by Holmes is as stated therein, the Shaikh is prepared, subject to safeguards in respect of towns, cemeteries, and gardens, to consider offer from Company in respect of area of 38,000 acres at present unallotted in Bahrein Island (the question of territorial waters being reserved for the moment), but that terms suggested by Holmes, if these are in fact what the Company contemplate, are not sufficient and that Shaikh will be glad to receive a firm offer for consideration in not less than one month from date of the letter.

We entirely agree with you that a little bargaining may produce a much more satisfactory financial result for Shaikh. If 'Iraq Petroleum Company are prepared to compete it will be possible to strengthen the letter suggested in paragraph 2 by a statement that Company's offer is for comparison with other offers which have been invited from other parties who are interested.

We shall be grateful for an answer on paragraph 1 and for your comments on the suggested course of action not later than 24th July, if possible. Please also furnish your views as to whether territorial waters (to be specifically defined, *e.g.*, those of the main island of Bahrein) might not be included in the additional area, since otherwise the remaining area might be too small to attract offers.

We are also considering the action to be taken with Company in regard to Holmes's misdemeanours.

As regards your telegram of 18th July,† if Holmes raises question of Anglo-Persian Oil Company he can be informed that other interests including that Company have made inquiries about remaining area, and that the Shaikh will require time to consider any definite offers that may be made.—CUNLIFFE-LISTER.

18135/33 [No. 260].

No. 102.

THE ACTING POLITICAL RESIDENT to THE SECRETARY OF STATE.

(Received 10 a.m., 23rd July, 1933.)

TELEGRAM.

[*Answered by No.* 103.]

(Paraphrase.)

23RD JULY. Addressed to Colonial Office, No. 26. Copy sent by mail to Government of India. Bahrein Oil. Major Holmes did not arrive in Bahrein on the 20th July. Please inform me by telegraph whether he is travelling by aeroplane which left London on Saturday, 22nd July.

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* No. 94. † No. 98.

18135/33 [No. 261].

No. 103.

THE SECRETARY OF STATE to THE ACTING POLITICAL RESIDENT.

(Sent 4.30 p.m., 24th July, 1933.)

TELEGRAM.

[*Answered by No.* 107.]

(Paraphrase.)

No. 14. REFERENCE your telegram No. 26,* Bahrein Oil. Am informed by Company in London that arrangements have been made for Holmes to travel by air mail which leaves London on the 29th July.—CUNLIFFE-LISTER.

18135/33 [No. 262].

No. 104.

THE ACTING POLITICAL RESIDENT to THE SECRETARY OF STATE.

(Received, Part 1, 2.15 p.m., Part 2, 3.35 p.m., 23rd July, 1933.)

TELEGRAM.

[*Answered by No.* 108.]

Part 1.

23RD JULY. Addressed to the Secretary of State for the Colonies No. 27. Copy to Government of India by mail. Your telegram of 21st July, No. 12,† Bahrein Oil.

Firstly. I agree with paragraph 1 but unless Holmes reaches Bahrein on 27th July (see my immediately preceding telegram*) suggest that communication of the Shaikh's denial be made only in London to the Company *in view of the continued absence from his post of the Chief Local Representative*. In the meantime I am instructing Political Agent that if Holmes arrives before 27th July he should hand him the communication.

Secondly. I concur with proposed second letter but would add under safeguards harbours and ports which were also mentioned in the Shaikh's letter of the 28th of May and to which he attaches great importance. This letter might also be sent to Company in London if Holmes is not in Bahrein. If 'Iraq Petroleum Company are not prepared to compete I fear that additional area may lose its value in the eyes of Bahrein Petroleum Company. On this point please consult Fowle, who arrives in London 24th July.

Part 2.

Thirdly. I think that (subject to safeguards over harbours) territorial waters should be included, as I gather that Oil Company attach importance to them. Waters round Bahrein are generally speaking shallow and inclusion of territorial waters would be likely to considerably extend workable area. It would, however, be prudent to name islands, *i.e.*, Bahrein Island, Muharraq, and Sitra (Umm Naasan and other islets near mainland might be included if question is raised) otherwise controversy may arise over Hawar Island and Bahrein claim to certain places on west coast of Qatar Peninsula.

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* No. 102. † No. 101.

56

18135/33 [No. 271].

No. 105.

MR. J. G. LAITHWAITE (INDIA OFFICE).

to

MR. S. I. JAMES (COLONIAL OFFICE).

MY DEAR JAMES, London, S.W.1, 21st July, 1933.

I AM sorry to have been so long in answering Blaxter's letter of 26th June,* enclosing Colonial Office observations on the Bahrein mining lease.

We have no addition to suggest except that in No. 4 of the additional provisions suggested by Starling in his original memorandum the words " or his duly authorised representative " might be added in line 1 after the word " Shaikh."

I am sending copies of this letter to Warner, Moore, and Starling.

Yours, &c.,
J. G. LAITHWAITE.

18135/33 [No. 272].

No. 106.

THE POLITICAL RESIDENT to THE SECRETARY OF STATE.

(Received 25th July, 1933.)

(Confidential.)
(No. 46.)

THE Honourable the Political Resident in the Persian Gulf presents his compliments to His Majesty's Secretary of State for the Colonies, London, and has the honour to transmit to him a copy of two letters from the Political Agent, Bahrein, regarding the territories of Bahrein not yet allocated for oil development.

British Consulate-General,
Bushire.
29th June, 1933.

Reference to previous correspondence : To (1) Political Resident's telegram No. 17 of 27th June, 1933.†

Enclosure 1 in No. 106.

(Confidential.)
(No. C/223-10/1.)

SIR, Political Agency, Bahrein, 24th June, 1933.

IN continuation of my telegram No. C. 218 dated the 21st June, 1933, I have the honour to enclose a copy of a letter dated the 21st June, 1933, from Mr. A. C. Sampson, on behalf of the Anglo-Persian Oil Company, Limited.

2. The conversation referred to was to the effect that the Anglo-Persian Oil Company, Limited, would like to make an offer for the unallocated territory of His Excellency Shaikh Hamad bin 'Isa Al Khalifah. I reminded Mr. Sampson that the matter was one in which His Excellency Shaikh Hamad should be approached through the Political Agent (or higher authority).

3. I showed Mr. Sampson's letter to His Excellency Shaikh Hamad, who came to see me about oil, just after I had received it, as I felt certain that he either knew, or shortly would know, that a letter had been sent to me.

4. I think that the letter should be communicated officially to His Excellency Shaikh Hamad bin 'Isa Al Khalifah without delay, and I also feel (as stated in the eighth paragraph of my letter No. C/224-10/1 dated the 24th June, 1933) that the Bahrein Petroleum Company, Limited, should be informed, also without delay, that a

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* No. 88. † No. 90.

communication has been received from another oil interest expressing a wish to negotiate for the territory remaining after the Bahrein Petroleum Company, Limited, have chosen their 100,000 acres.

I have, &c.,
G. Loch,
Lieutenant-Colonel,
Political Agent, Bahrein.

The Honourable the Political Resident
in the Persian Gulf,
Bushire.

Copy of a letter dated the 21st June, 1933, from Mr. A. S. Sampson, Bahrein, to the Political Agent, Bahrein, with copy to the General Manager, Messrs. Anglo-Persian Oil Company, Limited, Abadan.

I have the honour to refer to our conversation regarding the development for oil of those areas in the territories of Bahrein which are not yet allocated for such development, and confirm that my Company, Messrs. Anglo-Persian Oil Company, Limited, would like to come to an arrangement with His Excellency the Shaikh of Bahrein whereby the Company shall have the sole right over a period for negotiating for an agreement for the development of such areas.

I shall be obliged if you will let me have your reply in due course.

Enclosure 2 in No. 106.

(Confidential.)
(No. C/224/10-1.)

Sir, Political Agency, Bahrein, 24th June, 1933.

In continuation of my telegram No. C/222 dated the 23rd June, 1933, I have the honour to enclose a copy of a letter dated the 15th June, 1933, from Major Frank Holmes, Chief Local Representative of the Bahrein Petroleum Company, Limited, regarding the affairs of the Bahrein Petroleum Company, Limited, in Bahrein.

2. In this letter Major Holmes maintains the fiction of the *offer* of His Excellency Shaikh Hamad bin 'Isa Al Khalifah, and indeed, elaborates it, as for example in the first paragraph where he writes " . . . and tentatively agreed by me with His Excellency the Shaikh . . ."

3. There has been a change in the personal payments for His Excellency Shaikh Hamad—in place of a payment of Rs. 40,000/- down and Rs. 3,000/- a month for 20 months it is proposed to offer him Rs. 50,000/- down and Rs. 2,500/- a month for 20 months : the total in each case being Rs. 100,000/-.

4. But the main change is that it is proposed to recover the twenty monthly payments of Rs. 10,000/- to the Bahrein Government (which were to have been a payment, not a loan) from the royalties on a scale to be agreed on between the parties.

5. The recovery of the payments to the Bahrein Government renders the proposal definitely less favourable than it was, but a cunning endeavour has been made to render the Company's offer attractive to His Excellency Shaikh Hamad by increasing the initial lump sum payment to him personally from Rs. 40,000/- to Rs. 50,000/-.

6. There is also a modification of the point at which the recovery of a loan from the royalties may be started. In Major Holmes's letter of the 15th May it was stated that the recovery might be made from :—

> " . . . Royalties—which may become due—in excess of Rupees eighty thousand (80,000) in any calendar year."
>
> " . . . Royalties in Oil—which may become due—in excess of Rupees sixty thousand (60,000) in any calendar year, but the Company shall not be permitted to recover the above-mentioned loan from royalties that may become due on oil at a higher rate than twenty-five per cent. (25 per cent.) of any excess over Rupees sixty thousand (60,000) in any calendar year."

7. I recommend that I should be authorized to send a copy of Major Holmes's letter to the Bahrein Government and to ask for their views. It is desirable that we should avoid any delay which might suggest that time is being given to the Anglo-Persian Oil Company, Limited.

8. In amplification of the fourth paragraph of my telegram No. C/222 dated the 23rd June, 1933, I would say that the Bahrein Petroleum Company, Limited, appear to be most apprehensive of the activities of the Anglo-Persian Oil Company, Limited, and it is most important that we should not appear to them to be favouring the Anglo-Persian Oil Company, Limited. I, therefore, strongly recommend, from the local point of view, that I should be authorized to inform (verbally, on the ground that he is not the Chief Local Representative) Mr. Skinner, Fields Manager of the Bahrein Petroleum Company, Limited, on behalf of His Excellency Shaikh Hamad bin 'Isa Al Khalifah, that a communication has been received from another oil interest expressing a wish to negotiate for the territory remaining after the Bahrein Petroleum Company, Limited, have chosen their 100,000 acres. The official approach of the Anglo-Persian Oil Company, Limited, cannot, in the nature of things, remain confidential (even if it is still that now) for more than a few days, and I should prefer knowledge of the written communication of the Anglo-Persian Oil Company, Limited, to come to the Bahrein Petroleum Company, Limited, from me (or through His Majesty's Government), rather than that it should come to the ears of Mr. Skinner and that he should then approach me on the subject.

9. I would request telegraphic orders on the seventh and eighth paragraphs of this letter.

I have, &c.,
G. Loch,
Lieutenant-Colonel.
Political Agent, Bahrein.

The Honourable the Political Resident
in the Persian Gulf, Bushire.

Copy of letter dated the 15th June, 1933, from Major Frank Holmes, Chief Local Representative, the Bahrein Petroleum Company, Limited, Millhill, Sandon, near Chelmsford, Essex, to the Political Agent, Bahrein.

1. The Board of Directors of the Bahrein Petroleum Company, Limited, have now had an opportunity of studying the offer of His Excellency Shaikh Hamad bin Isa Al Khalifah, Ruler of Bahrein, as contained in my letter to you dated 17th May, 1933. It will be noted from the terms and conditions defined later herein that several modifications have been made, as to the manner of payments and the recovery of such payments, but not as to the total amounts discussed and defined in my letter of 17th May, 1933, and tentatively agreed by me with His Excellency the Shaikh, but subject to the approval of the Honourable the Political Resident in the Persian Gulf and of the Board of the Bahrein Petroleum Company, Limited.

2. I have been instructed by the Directors to make the offer as expressed below. The Directors agree generally the amount of the loans to the Bahrein Government and the payments to be made to the private purse of His Excellency the Shaikh (as per my letter 17th May, 1933), but the Directors consider that the payments (b. 17th May, 1933) as well as the loan (paragraph 2, 17th May, 1933) requested by the Bahrein Government, should also be subject to recovery from royalties on oil.

3. In consideration of the payments hereinafter reserved and contained in exercise of his powers as Ruler and Sovereign of his Dominions for himself and Heirs and subjects, to grant unto the Bahrein Petroleum Company, Limited, the exclusive right and easements whereby the Company shall be entitled throughout the whole of that portion of His Excellency the Shaikh's territories, including all the islands and all territorial waters, remaining after excluding and apart from that area already covered by the Concession Agreement dated 2nd December, 1925, to explore and search the surface for oil and cognate products of the above-mentioned area as described in this Present upon the following terms and conditions :—

(a) Upon the day His Excellency Shaikh Hamad bin 'Isa Al Khalifah, Ruler of Bahrein, signs and seals the Deed Instrument covering the area (described in paragraph 3 hereof) and Initial payment by the Company of the sum of Rupees fifty thousand (50,000) shall be made for the private purse of His Excellency Shaikh Hamad and in addition to the initial payment of Rupees

fifty thousand (50,000) mentioned in this Present the Company shall pay for the private purse of His Excellency Shaikh Hamad twenty (20) monthly payments of Rupees two thousand five hundred (2,500) each, the first of such monthly payments of Rupees two thousand five hundred (2,500) each shall be made one month from the date of the execution of the Deed Instrument covering the area (paragraph (3) hereof) and the remaining monthly payments of Rupees two thousand five hundred (2,500) each shall be made on the same date of each subsequent month until the whole of the twenty (20) monthly payments have been made.

(*b*) Twenty monthly payments of Rupees ten thousand (10,000) will be made to the Bahrein Government. The first of such twenty (20) monthly payments of Rupees ten thousand (10,000) to be paid within fourteen (14) days of the execution of the Deed Instrument. The remaining monthly payments of Rupees ten thousand (10,000) to be made to the Bahrein Government on the same date of each subsequent month until the whole of the twenty (20) monthly payments have been made. This loan, as mentioned in this Present to be subject to recovery on royalties on oil which may become due from time to time, the rate of recovery to be on a scale to be agreed between the parties to this Agreement, but the recovery of the above-mentioned loan may only be made from royalties due in excess of Rupees sixty thousand (60,000) in any calendar year.

(*c*) The Concession granted covering the whole of the additional area including all the islands and all the territorial waters of the Shaikh's dominions shall be governed in all ways by the terms and conditions as laid down in the Concession Agreement of 2nd December, 1925, and the additional area shall, upon execution hereof, become an integral part of the Concession Agreement of 2nd December, 1925, excepting certain payments which shall be increased as set forth in the following paragraph (*d*).

(*d*) The payments to be made on the additional area—as regards annual rental and minimum royalty—shall be the same as laid down in the Concession Agreement dated 2nd December, 1925, and such payments shall be in addition thereto, and the same shall apply to the Deed Instrument covering the whole of the remainder of the available territory of Bahrein including all the islands and all the territorial waters. The prospecting licence for both areas upon the execution of the Deed granting the additional area shall *ipso facto* continue current for a period of twenty (20) months from the effective date of such Deed, and thereafter the Mining Lease (Schedule III) shall become operative.

4. Furthermore, after the completion of the twenty (20) monthly payments mentioned in paragraph (*b*) hereof the Bahrein Petroleum Company, Limited, is willing to make a loan or loans to the Bahrein Government against future royalties on oil which may become due from time to time; moreover, the Company is prepared to make a specific loan to the Bahrein Government of Rupees two hundred thousand (200,000) or part thereof in twenty monthly instalments of Rupees ten thousand (10,000) each. The first monthly instalment of Rupees ten thousand (10,000) of such specific loan to become due in one year and nine months from the date of these Presents. PROVIDED ALWAYS that the world market for oil and the development of the oil resources of the Bahrein Concession, during the above-mentioned period of one year and nine (21) months, continue to be such that they present a reasonable prospect of making the recovery of such specific loan possible, but given unfavourable prospect of recovery the monthly payment may cease or be suspended by the Company until conditions become normal.

5. The recovery of the above-mentioned loan or loans may only be made from any royalties on oil, which may become due, in excess of Rupees sixty thousand (60,000) in any calendar year, but the Company shall not be permitted to recover the above-mentioned loan from royalties that may become due on oil at a higher rate than twenty-five per cent. (25 per cent.) of any excess over Rupees sixty-thousand (60,000) in any calendar year.

18135/33 [No. 277].

No. 107.

THE ACTING POLITICAL RESIDENT to THE SECRETARY OF STATE.

(Received 12.24 p.m., 25th July, 1933.)

TELEGRAM.

[*Answered by No.* 108.]

25TH JULY. No. 28. Addressed to the Secretary of State for the Colonies copy by mail to the Government of India.

Your telegram of the 24th instant, No. 14.* Bahrein oil. As Holmes has not started, venture to suggest that best course would be to communicate the Shaikh's denials at once to the Company in London. Then we shall not be open to reproach of having delayed communication till after Holmes had left.

Moreover, from local point of view it would be preferable that Holmes should not return to Bahrein at this juncture and it is possible that if Company know of his misrepresentations they may hesitate to send him back.

18135/33 [No. 290].

No. 108.

THE SECRETARY OF STATE to THE ACTING POLITICAL RESIDENT.

(Sent 9.25 p.m., 27th July, 1933.)

TELEGRAM.

No. 15. YOUR telegram dated 25th July, No. 28,† and connected correspondence. Bahrein oil. Whole question has been considered by interested Departments with Fowle in light of views expressed by you. As a result, we propose to make immediate communication to Company on lines of paragraph 1 of my telegram dated 20th July, No. 12,‡ to reach them before Holmes's departure, in course of which we shall emphasize that the communication is made direct because of (1) his absence from Bahrein, (2) his breach of agreement in approaching the Shaikh direct, and (3) the inaccuracy of his account of his interview with the Shaikh, and will add that further letter will follow as regards the question of Holmes's position as Chief Local Representative.

We should like to follow this up with minimum of delay by second letter on lines proposed in paragraph 2 of my telegram of 20th July, No. 12, with modification proposed in paragraphs 2 and 3 of your telegram of 23rd July, No. 27.§ Specific reference might be made to territorial waters of Bahrein Island, Muharraq, Sitra, and Umm Naasan. We should be glad if you would at once approach Shaikh with a view to securing his authority for action on these lines. Have ascertained that Anglo-Petroleum Oil Company are definitely interested in the possibilities of Bahrein and our letter will contain statement on lines suggested in paragraph 3 of my telegram of 20th July, No. 12.

Terms of communication to Company in regard to Holmes are under consideration.

18135/33 [No. 295].

No. 109.

THE COLONIAL OFFICE to THE BAHREIN PETROLEUM COMPANY, LIMITED.

SIR, Downing Street, 28th July, 1933.

I AM directed by Secretary Sir Philip Cunliffe-Lister to refer to the letter from this Department of the 19th of July,‖ and to previous correspondence regarding an application from the Bahrein Petroleum Company for an extension of their prospecting licence beyond the 2nd of December, 1933.

2. It has been brought to the notice of His Majesty's Government that in this connexion certain proposals have been put forward by Major Holmes, the Company's Chief Local Representative in Bahrein, *after direct negotiation with His Excellency the*

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* No. 103. † No. 107. ‡ No. 101. § No. 104. ‖ No. 99.

Shaikh of Bahrein. These proposals are presumably known to the Bahrein Petroleum Company in London, but for convenience of reference a copy of Major Holmes's letter* on the subject to the Political Agent in Bahrein is enclosed.

3. It is desired to call the Company's attention to the fact that according to His Excellency the Shaikh of Bahrein, the Chief Local Representative's account of his interview with His Excellency is entirely inaccurate in several important respects. These inaccuracies can be summarized as follows:—

(*a*) The statement that His Excellency requested Major Holmes to call on him. His Excellency states that the interview in question (and another subsequent interview) was initiated by Major Holmes.

(*b*) The statement that "the offer" contained in the letter came from His Excellency. This is denied by His Excellency.

(*c*) The statement that His Excellency agreed to certain proposals (see paragraph 1 of the letter). His Excellency denies that he agreed to any proposals at all.

(*d*) The statements regarding certain particular matters, namely, (*a*) the inclusion of territorial waters (paragraph 1 of the letter) and (*b*) the provision that the loan, or advance, mentioned in paragraph 2 of the letter should be dependent on the world market for oil. His Excellency states that these matters were not discussed at the interview at all.

4. This communication would have been made to the Company's Chief Local Representative in Bahrein as soon as the true facts of the case had been ascertained, but owing to Major Holmes's prolonged absence from Bahrein it has been found necessary to address this letter to the Company in London. Moreover, the inaccuracy of Major Holmes's account of his interview with the Shaikh of Bahrein and the fact that by approaching the Shaikh direct he has violated the provisions of Condition C Scheduled to the Indenture of the 12th of June, 1930, have made it all the more desirable that the matter should be taken up with the Company in London.

5. The question of Major Holmes's position as Chief Local Representative of the Company in Bahrein will form the subject of a further communication.

I am, &c.,
O. G. R. WILLIAMS.

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7. Chief Local Representative of Bahrein Petroleum Company.

C. 98035/32 [No. 51].

No 110.

LIEUTENANT-COLONEL H. V. BISCOE (POLITICAL RESIDENT IN THE PERSIAN GULF)

to

MR. A. C. C. PARKINSON (COLONIAL OFFICE).

(Received 13th July, 1932.)

[*Answered by No.* 113.]

MY DEAR PARKINSON, The Residency, Bushire, the 1st July, 1932.

WILL you please refer to Lord Passfield's Confidential despatch of the 13th March, 1930,† forwarding to me the draft of an Agreement to be executed between the Shaikh of Bahrein and the Eastern and General Syndicate, setting out the conditions governing the proposed assignment.

In paragraph C of the Schedule to that Agreement the Bahrein Petroleum Company undertook at all times to maintain in Bahrein an official to be called the "Chief Local Representative" of the Company who should be the sole representative of the Company empowered to deal direct with the local authorities and population, and it was stipulated that for the first five years after the said Bahrein Petroleum Company, Limited, started to operate in Bahrein . . . their "Chief Local Representative" should be Major Frank Holmes. The date on which the assignment was executed by

* Enclosure in No. 85.

† No. 53 in Middle East No. 32.

the Eastern and General Syndicate was the 1st August, 1930, and from that date it was incumbent upon them to maintain a Chief Local Representative. From that date up to the present Major Frank Holmes has been in Bahrein for 6 months and 14 days.

Arrived Bahrein	25th May, 1931	
Left Bahrein for England ...	13th June, 1931	20 days.
Arrived Bahrein	11th November, 1931	5 months
Left ,, ...	24th April, 1932	14 days.
Arrived Bahrein	11th June, 1932	
Left ,, ...	20th June, 1932	10 days.

Thus in one year and eleven months Major Holmes has spent six months and fourteen days in Bahrein, and he has now left for England again, and, I understand, does not propose returning for three or four months. Therefore in about two and a-quarter years he will roughly have spent six months in Bahrein.

It is clear that the Bahrein Petroleum Company are in no way fulfilling their undertaking. Neither do I consider that so long as Holmes is their Chief Local Representative is it possible for them to do so, for he certainly cannot remain in Bahrein throughout the year for a period of five years. I think we might accord them a reasonable latitude in this respect, and that if their Chief Local Representative got away from Bahrein for, say, a couple of months in the height of the summer, as the Political Agent does, nothing need be said, but Holmes has, as you know, other irons in the fire, and it is clear that he has no serious intention of spending even a reasonable amount of time at Bahrein. Holmes has now written a letter to Prior instructing him to send all correspondence for him to the Mesopotamia-Persia Corporation, but does not mention whether this is correspondence in his capacity as representative of the Bahrein Petroleum Company or of the Eastern and General Syndicate, and Prior states that he finds it a little difficult at times to distinguish between these two incarnations.

Hitherto the matter has not been one of much importance. The Bahrein Petroleum Company has been engaged in preliminary operations, and there has been little need for correspondence between them and the local authorities. Now, however, they have struck oil and will presumably extend their operations, and it may be anticipated that there will in the near future be many matters to arrange between the Company and the Shaikh, and it seems essential that they should fulfil their undertaking and maintain *at all times* a Chief Local Representative in Bahrein. I suggest, therefore, that, if you concur with this view, the failure of the Company to fulfil their undertaking should be brought to their notice, and that it might be represented to them that it is most improbable that a man of Major Holmes's age and physique can possibly remain in Bahrein continuously for five years, apart from the fact that he has other interests elsewhere, and that therefore it is desirable that some one else should be appointed, who can carry out the duties of the post. The present Fields Manager, an American, by name Skinner, is an exceedingly pleasant man to deal with, and if there is any difficulty about finding an Englishman to act as Chief Local Representative, I personally see no objection to Skinner being appointed, but I do definitely think that the time has arrived at which we should insist upon the Company fulfilling their undertaking, though, as I have said above, if the Chief Local Representative absents himself for, say, two months in the year in the height of the summer, I do not think any serious exception need be taken to it.

I am sending a copy of this letter to India.

Yours, &c.,
H. V. BISCOE.

C. 98035/32 [No. 56].

No. 111.

MR. J. E. W. FLOOD (COLONIAL OFFICE)

to

MR. H. R. BALLANTYNE (BAHREIN PETROLEUM COMPANY, LIMITED).

DEAR MR. BALLANTYNE, Downing Street, 15th August, 1932.

WITH reference to your call on the 12th of August and to the official letter from this Office of the 8th* on the subject of Major Holmes' residence at Bahrein, I now

* C. 98035/32 [No. 55]: not printed.

enclose, for your information, a copy of the letter which we wrote on the 14th of July* last year to the Eastern and General Syndicate and a copy of the third paragraph of a letter sent to the Syndicate on the 15th of November, 1930.† I think I should explain that the other paragraphs of that letter related to discussions which had been proceeding with regard to Kuwait. You will observe that the Syndicate was then asked whether they would be prepared to agree that Major Holmes should reside for a minimum of nine months in the year at Bahrein.

I hope that this will be sufficient for your purpose.

Yours, &c.,
J. E. W. FLOOD.

18301/33 [No. 2].

No. 112.

MR. H. R. BALLANTYNE (BAHREIN PETROLEUM COMPANY, LIMITED)

to

MR. A. C. C. PARKINSON (COLONIAL OFFICE).

DEAR MR. PARKINSON, 19, Moorgate, London, E.C.2, 3rd February, 1933.

FOLLOWING our conversation on the 1st instant, I write to record the view I then expressed, that down to date this Company has fulfilled to the utmost its obligations under Condition C.

Major Frank Holmes, as the Company's Representative for the purposes of Condition C, has been in Bahrein at all the times required by the Company for communications with the Shaikh of Bahrein and the local authorities.

I should, perhaps, remind you that whilst Condition C provides for the approach of the Company to the local authorities through the medium of a representative *persona grata* to His Majesty's Government, *i.e.*, it decides the medium of approach, it leaves to the Company, as necessarily it must, the decision when and for what purposes the Company approached the local authorities.

I venture to hope that the foregoing explanation answers any question there may still be outstanding concerning Condition C from His Majesty's Government.

Yours, &c.,
H. R. BALLANTYNE.

18301/33 [No. 3].

No. 113.

MR. A. C. C. PARKINSON (COLONIAL OFFICE)

to

LIEUTENANT-COLONEL T. C. FOWLE (POLITICAL RESIDENT IN THE PERSIAN GULF).

[*Answered by No.* 114.]

MY DEAR FOWLE, Downing Street, 18th February, 1933.

IN his Confidential letter of the 1st of July, 1932,‡ Biscoe wrote to me regarding Condition C of the Schedule to the Assent given by the Shaikh of Bahrein to the assignment to the Bahrein Petroleum Company of the oil concession granted to the Eastern General Syndicate, Limited, and pointed out that, in his opinion, Holmes was not fulfilling the provisions of this Condition.

As a result of that letter we took the matter up with Ballantyne, and a copy of the letter addressed to him was sent to the Persian Gulf in our official despatch of the 16th of August, 1932.§ We have had no formal reply to that letter, but as a result of reminders to Ballantyne he called to see me a little while ago with Lombardi and Hamilton to discuss the position, and at my request wrote me a semi-official letter‖ on the matter, a copy of which I enclose.

You will see that the contention of the Company is that Holmes has been in Bahrein at all material times—that is to say, that he has always been available when

* C. 89035/31 [No. 8]: not printed. † No. 92 in Middle East No. 32.
‡ No. 110. § C. 98035/32 [No. 57]: not printed. ‖ No. 112.

the Company required to communicate with the Shaikh and the local authorities. At the interview Ballantyne, however, volunteered that, owing to the extended activities of the Company, the time was coming when the presence of Holmes would be needed for longer periods.

Before we consider the matter further, I should be grateful if you would let me know whether the Company's contention is correct, or whether there have been times when communication with the Company has been impeded owing to Holmes's absence.

Incidentally, Ballantyne seems to be trying to place the narrowest possible interpretation upon the wording of the Condition. When I saw him he said, in effect, that all that Condition C provided for was that there should be a Chief Local Representative for the purpose of making any communication from the Company to the local authorities, whereas, if the Political Agent or the "local authorities" wanted to get into touch with the Company and Holmes was absent, this would not be a contravention of Condition C, as there was no provision for this contingency! Our view is that such an interpretation of the Condition is impossible, and I am not at all sure that Ballantyne (who is a reasonable sort of person generally, so far as I know) would really take that line seriously and commit himself to it officially.

For the present, I have merely sent an interim acknowledgment to Ballantyne's letter.

Yours, &c.,
A. C. C. PARKINSON.

18301/33 [No. 4].

No. 114.

LIEUTENANT-COLONEL T. C. FOWLE (POLITICAL RESIDENT IN THE PERSIAN GULF)

to

MR. A. C. C. PARKINSON (COLONIAL OFFICE).

(Received 1st April, 1933.)

(Confidential.)

MY DEAR PARKINSON, The Residency, Bushire, 21st March, 1933.

PLEASE refer to your letter of 18th February, 1933,* on the subject of Holmes (as Chief Local Representative) not fulfilling the provisions of Condition C of the Schedule, *re* staying in Bahrein for a reasonable period each year. I have had the opportunity of talking the matter over with Loch, who has just visited me.

2. With regard to the query contained in paragraph 4 of your letter. As far as we know there have been no times when Holmes's absence has materially impeded communications with the Company. So I do not think that any protest can be put in on this particular ground.

3. On general principles, however, Ballantyne's contention (your paragraph 5) is—I quite agree, nonsense. Perhaps he could be informed accordingly, more or less politely, and the following warning added? If at any time the Company wish to approach the Bahrein Government, or the Political Agent, or the Political Resident, and they can only do so through Holmes, on some urgent matter (as they have had occasion to do in the past), and Holmes is not present, both the Bahrein Government and ourselves will, of course, refuse to consider any representations made through other channels, and any loss or inconvenience which the Company incurs will be entirely their own fault. Conversely, however, if the Bahrein Government or ourselves wish to communicate urgently with the Company, and are unable to do so because of the absence of Holmes, both the Bahrein Government and we hold ourselves entirely free to take whatever action we think fit. This may bring Ballantyne up with a round turn, especially since, as far as I can see, the boot is on their leg not ours, *i.e.*, generally speaking they will want to communicate urgently with the Bahrein Government or with us more than the Bahrein Government or we will want to communicate with them, and in any case, apart from the particular point at issue, I think it important that we should, if possible, impress on the oil folk that when necessary we intend to take a firm line.

4. At the same time Loch suggests, and I agree, that Ballantyne, or his confederates, might be informed, perhaps verbally, that we are out to be helpful and give them a square deal, in fact treat the whole business on the basis of a "Gentleman's

* No. 113.

Agreement," provided they reciprocate (however much we may object to an American concern establishing itself in Bahrein, once established, as it is, this is really the only sensible policy to pursue), but that if they prove obstructive and concoct pettifogging arguments, such as Ballantyne has produced, we shall have no choice but to pursue similar tactics, and they will probably come off worst in the exchange.

5. By the way, on my way back from Muscat the other day I stopped at Bahrein and met Janson and his American colleague Lombardi, who had been paying a visit to Bahrein. Loch and Belgrave told me that there had been a row between the four oil officials with the English (Holmes and Janson) on the one side, and the Americans (Lombardi and Skinner) on the other, the exact cause being unknown. Skinner is a pleasant individual, and both Loch and I like him. The American drillers too, who have hitherto come to Bahrein, seem a decent lot, though their quality may deteriorate when they come in larger numbers.

I am sending a copy of this letter together with a copy of yours and the enclosure from Ballantyne to Metcalfe and Laithwaite.

Yours, &c.,
T. C. FOWLE.

18135/33 [No. 100].

No. 115.

(Confidential.)

EXTRACT FROM A FINAL RECORD OF A MEETING HELD AT THE COLONIAL OFFICE ON THE 26TH OF APRIL, 1933, TO DISCUSS VARIOUS QUESTIONS RELATING TO OIL IN THE PERSIAN GULF.

Present:

Mr. Parkinson, Mr. Blaxter, Mr. James — Colonial Office.
Mr. Rendel, Mr. Johnstone — Foreign Office.
Mr. Laithwaite, India Office.
Captain Moore, Admiralty.
Mr. Starling, Petroleum Department.
Lieutenant-Colonel Fowle, Political Resident in the Persian Gulf.

* * * * * * * * * *

II. Bahrein Oil.

Major Holmes's Residence in Bahrein.

16. Mr. Laithwaite drew attention to Condition C of the Agreement of the 12th of June, 1930, and to Major Holmes's failure to conform with the terms of that Condition. The question had been the subject of correspondence with Mr. Ballantyne and the Political Resident in the Persian Gulf. Mr. Laithwaite said that, in the light of discussion with Colonel Fowle, he thought it was for consideration whether the time had not come when His Majesty's Government should take notice of Major Holmes's activities and consider whether some action should not be taken in the matter. He appeared to be the representative in the Gulf not only of the Bahrein Petroleum Company, but of the Eastern and General Syndicate, and to spend much of his time away from Bahrein conducting negotiations for concessions in other parts of the Gulf. Everybody he thought, was agreed that the wording of Condition C made it clear that Major Holmes ought to spend if not the whole at any rate the bulk of the year, say ten months, in Bahrein, and while it might be said that he had not at present been absent from Bahrein at any time when he was needed, an instance had just occurred in which Major Holmes had approached the Political Agent in regard to an extension of the Company's prospecting licence, and, having asked for a reply within a certain period, had gone off elsewhere without leaving any address. On a further point the Acting Political Resident had just informed Colonel Fowle that Major Holmes, in contravention of the terms of the agreement, had been in correspondence with the Financial Adviser, Bahrein, in regard to the Bahrein oil concession. This, though possibly such informal correspondence had taken place in the past, was in fact a breach of the agreement, which made it clear that all communications between the British Resident and the Shaikh must pass through the

Political authorities. He did not think that Major Holmes was regarded, either by the local British authorities in the Persian Gulf, or by the Departments concerned in London, as a particularly satisfactory individual. He was under the impression, too, that the Colonial Office had had reason to believe that Major Holmes was not entirely *persona grata* to the American Syndicate. He therefore suggested that Mr. Ballantyne might be told that Major Holmes's activities were not regarded with favour by His Majesty's Government; that it was essential that a representative of the Company should be continually resident in Bahrein and that a suggestion might be made to Mr. Ballantyne that another representative should be appointed in his place.

17. Lieutenant-Colonel Fowle said that he thought that either the Manager of the Eastern Bank, or of the Mesopotamia-Persia Corporation would probably make quite a satisfactory local representative of the Company. Both these persons were British subjects.

18. Mr. Blaxter pointed out that at the time that the Agreement of the 12th of June, 1930, was under discussion with the Company, Major Holmes was looked upon with favour, and his appointment as the first local representative of the Company was, in fact, made at the instance of His Majesty's Government. The position had, of course, changed, but it would have to be remembered in dealing with Mr. Ballantyne that it was His Majesty's Government, and not the Company, who wanted Major Holmes appointed.

19. Mr. Parkinson said that it would be necessary to explain to Mr. Ballantyne that his interpretation of Condition C was not accepted, *i.e.*, it was not a one-sided arrangement as Mr. Ballantyne suggested, nor was it a sufficient answer that Major Holmes had been available (if this were the case) whenever the Bahrein authorities had happened to want him there. In view of Major Holmes's activities during the last three years, and in particular his long absences from Bahrein, it might be desirable to raise at the same time the question of getting him replaced by some other more suitable person. But before deciding upon such action, Mr. Parkinson said that he thought the Colonial Office should get out a clear statement of the facts as to Major Holmes's appointment, &c. Mr. Laithwaite said that the India Office would be glad to assist in drawing up a statement.

Nationality of Company's Employees in Bahrein.

20. The Political Resident's Confidential despatch, No. 21 of the 21st of March,* was discussed, and it was agreed that up to the present there had been no grounds on which it could reasonably be pressed that any considerable number of the Company's employees should be British subjects or British protected persons. Mr. Starling, however, pointed out that more drilling work was likely to be undertaken from now onwards and that there were available at present quite a number of expert drillers who were British subjects, and who were seeking employment. He undertook to let the Colonial Office have some details on this matter, in order that the Company might be approached and urged to give employment to some of these people, as their work extended and called for additional staff.

Amendments to the Third Schedule (Mining Lease) of the 1925 Concession.

Officiating Political Resident's Confidential Despatch, No. 26 of the 17th of April.†

21. Lieutenant-Colonel Fowle observed that when the time came to make amendments in the third Schedule or to allow an increase in the area over which the Company desires to secure mining rights, there were a number of points of importance which would need consideration.

22. Mr. Starling said that the Petroleum Department had drawn attention to a number of these points in their letter of the 23rd of December, 1932.‡

23. Captain Moore observed that the Admiralty were anxious that provision should be made giving the Shaikh the right of pre-emption in emergencies, and requiring that a proportion of the oil should be refined in Bahrein, or in British territory; also the Admiralty were anxious that the position of the naval base at Bahrein, if such a base were to be constructed, should be safe-guarded.

24. Captain Moore undertook to have a letter sent to the Colonial Office on the last-mentioned point, and Mr. Starling said that he would arrange that the memorandum already being drafted in Petroleum Department should cover all points which needed consideration.

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* No. 20. † No. 71. ‡ No. 57.

25. It was decided that the position should be further discussed in the light of the communications promised by the Admiralty and the Petroleum Department, if received in time, at the meeting arranged for the 3rd of May.

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18135/33 [No. 95].

No. 116.

MR. J. G. LAITHWAITE (INDIA OFFICE)

to

MR. K. W. BLAXTER (COLONIAL OFFICE).

India Office, Whitehall, S.W.1, 1st May, 1933.

MY DEAR BLAXTER,

YOU will remember that the Political Resident, at our meeting about oil last week, mentioned that he had had a confidential letter from Colonel Loch commenting on Major Holmes's procedure in communicating direct with the Bahrein Government on the subject of the agreement between Bahrein and the Bahrein Petroleum Company. I now enclose a copy of Colonel Loch's letter which is, I think, self-explanatory.

I am sending copies to Rendel, Starling, and Moore.

Yours, &c.,
J. G. LAITHWAITE.

Enclosure in No. 116.

(Confidential.)

The Residency, Bushire, 17th April, 1933.

MY DEAR FOWLE,

IN continuation of my letter of 10th April (as Political Agent, Bahrein), I enclose a copy of a despatch No. 26, dated the 17th April, 1933, to the Secretary of State for the Colonies.

2. I should perhaps have explained, when writing the enclosure as Political Agent, Bahrein, that Major Holmes had sent a copy of his letter dated the 4th April, 1933, informally to the Adviser, Bahrein Government. I, therefore, judged that the best course was to ask for the views of the Bahrein Government at once, so that no desire to delay matters, or to hide them from the Ruler of Bahrein, should be imputed to us by the interests involved. By doing this, Major Holmes has violated Condition C of the Schedule to the Supplementary Agreement dated the 12th June, 1930, concluded between the Shaikh of Bahrein and the Eastern and General Syndicate, Limited, which lays down that—

> "All communications which that official may desire on behalf of the said Bahrein Petroleum Company, Limited, to address to the Shaikh of Bahrein shall be made through the British Political Agent in Bahrein."

I think (I write from memory) that this practice of sending informal copies of letters to the Adviser has been adopted in the past on one or two occasions, but I think that it would be well for the Political Agent, Bahrein, to draw Major Holmes's attention (verbally in the first instance) to Condition C and inform him that it would be preferable for him to desist from this practice in future.

3. It may be of use to you to know that His Excellency Shaikh Hamad is strongly against a further extension of the prospecting licence. He will, I believe, also be against giving a wider area to the Bahrein Petroleum Company without first getting the Anglo-Persian Oil Company to bid against them, but he is desperately in need of money.

Yours, &c.,
G. LOCH.

The Honourable Lieutenant-Colonel T. C. Fowle, C.B.E.

18301/33 [No. 33].

No. 117.

(Confidential.)

EXTRACT FROM A FINAL RECORD OF A MEETING (ADJOURNED FROM THE 26TH APRIL) HELD AT THE COLONIAL OFFICE ON THE 3RD OF MAY, 1933, TO DISCUSS VARIOUS QUESTIONS RELATING TO OIL IN THE PERSIAN GULF.

Present:—

MR. PARKINSON, MR. BLAXTER, MR. JAMES — Colonial Office.
MR. RENDEL, MR. JOHNSTONE — Foreign Office.
MR. LAITHWAITE, India Office.
CAPTAIN MOORE, Admiralty.
MR. STARLING, Petroleum Department.
LIEUTENANT-COLONEL FOWLE, Political Resident in the Persian Gulf.
CAPTAIN PRIOR, Indian Political Department (lately Political Agent at Bahrein).

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C. *Major Holmes's Residence in Bahrein.*

29. MR. LAITHWAITE mentioned that Captain Prior had expressed the opinion that, if Major Holmes were required to reside in Bahrein for, say, ten months in every year, he would probably resign the appointment, if only for reasons of health. If this was so, insistence on such a period of residence might well be the easiest way out of our difficulties.

MR. BLAXTER mentioned that it had been understood from oral discussions with the Company's representatives that they would prefer to avoid a fixed period being laid down during which their Local Representative must reside in Bahrein.

30. MR. PARKINSON said he would prefer not to take any action in this matter until he had had an opportunity of studying the statement of the facts which was to be drawn up as the result of the discussions at the meeting of the 26th of April.*

18301/33 [Nos. 35-38].

No. 118.

MR. K. W. BLAXTER (COLONIAL OFFICE)

to

[1] MR. G. W. RENDEL (FOREIGN OFFICE).
[2] MR. J. C. WALTON (INDIA OFFICE).
[3] MR. F. C. STARLING (PETROLEUM DEPARTMENT).
[4] CAPTAIN H. R. MOORE (ADMIRALTY).

[*Answered* [1] *by No.* 121; [3] *by No.* 122.]

Colonial Office, Downing Street, S.W.1, 20th May, 1933.

MY DEAR [RENDEL,] [WALTON,] [STARLING,] [MOORE,]

IN connexion with the Bahrein Oil Concession, we have been going carefully into the question of Major Holmes's residence in Bahrein, in the light of the recent discussions, and Parkinson has asked me to let you know our views. These are briefly, that the case against Major Holmes on specific points is not a very strong one, and that on general grounds it would probably be better to let matters rest where they are for the present.

As you know, the Company hold that all that is required of them under Condition C is that their Local Representative should be on the spot when there is any business to be transacted. While it seems clear that this contention is contrary to the wording of Condition C, the fact remains that we can only point to the specific instance of his

* No. 115.

absence at a material time, namely, his departure for Jedda after submitting the Company's application for an extension of their prospecting licence, and it is not clear, even in this case, that his presence has, in fact, been necessary.

It must not, however, be assumed from the above that we have any strong desire to maintain Major Holmes in his capacity of Local Representative. This is not the case, but we feel that it might be advisable not to bring this question to a head and risk a certain amount of friction, at a time when there are other more important things for discussion with the Company.

We should therefore be glad to know whether you agree with us that (unless something occurs meanwhile which necessitates bringing this up) the matter might be allowed to rest until the other questions, viz., extension of the prospecting licence and amendment of the mining lease, have been got out of the way.

I am sending a similar letter to [*To* [1] : Walton, Starling, and Moore.] [*To* [2] : Rendel, Starling, and Moore.] [*To* [3] : Rendel, Walton, and Moore.] [*To* [4] : Rendel, Walton, and Starling.]

Yours, &c.,
K. W. BLAXTER.

18301/33 [No. 34].

No. 119.

NOTE ON MAJOR HOLMES'S PERIOD OF RESIDENCE AT BAHREIN.

A SEPARATE note regarding the negotiations leading up to the insertion of Conditions C and D in the Schedule to the Agreement of the 12th June, 1930,* is attached.

Condition C says that the Bahrein Petroleum Company shall at all times maintain at Bahrein an official to be called the Chief Local Representative of the Company and that, subject to certain provisos, the first Chief Local Representative shall be Major Frank Holmes.

From the 1st of August, 1930, the date on which the concession was assigned to the Bahrein Petroleum Company, up to August, 1932, Major Holmes is reported to have been resident in Bahrein only for a period of about six months in all. Mr. Ballantyne's attention was drawn to this in August last, and inquiry was made whether the Company could give an assurance that Major Holmes would reside in Bahrein for a minimum period of nine months each year.

Nothing was heard from Mr. Ballantyne for some time, but eventually he called to see Mr. Parkinson to discuss the matter. Mr. Ballantyne stated that the contention of the Company was that Major Holmes had been in Bahrein at all the material times, that is to say, that he had always been available when the Company required to communicate with the Shaikh and the local authorities. Mr. Ballantyne volunteered, however, that owing to the extended activities of the Company, the time was coming when the presence of Major Holmes would be needed for longer periods.

The Political Resident in the Persian Gulf was asked whether the Company's contention was correct, or whether there have been times when communication with the Company has been impeded owing to Major Holmes's absence. In a reply recently received, Lieutenant-Colonel Fowle stated that there have been no times when Major Holmes's absence has materially impeded communication with the Company. On general principles, however, Lieutenant-Colonel Fowle expressed the view that the Company were trying to place the narrowest possible interpretation upon the wording of Condition C, and that they could not successfully maintain such an interpretation. This, incidentally, is the view held in the Colonial Office and by the other Departments of His Majesty's Government concerned.

Two further instances of Major Holmes's failure to comply with the terms of Condition C have recently occurred. When forwarding to the Political Agent last month the Bahrein Petroleum Company's application for an extension of their prospecting licence and alternative proposals he stated that the Company could not hold open the offer for more than thirty days from a certain date. Immediately after despatching this letter, Major Holmes left the Persian Gulf for Egypt and Jedda without leaving any address. This is a very definite instance of his not being available in Bahrein when required. Major Holmes also sent a copy of the above-mentioned application informally to Mr. Belgrave, the Financial Adviser to the Bahrein Government. By

* No. 120.

doing this Major Holmes has acted contrary to the terms of Condition C, which states that all communications destined for the Shaikh of Bahrein shall be made through the British Political Agent. The Political Agent at Bahrein observes that this practice of sending informally copies of letters to the Adviser has, he thinks, been adopted on one or two occasions in the past, but he thinks it would be well for Major Holmes's attention to be drawn to the irregularity of this practice.

In the letter recently received from the Political Resident, he suggests that the Company should be informed that His Majesty's Government cannot accept their interpretation of Condition C, and that it should be politely intimated to them that, if at any time the Company wish to approach the Political Agent (and they can only do so through Major Holmes) on some urgent matter and Major Holmes is not present, we shall refuse to consider any representations made through other channels and any loss or inconvenience which the Company incurs will be their own responsibility: conversely, that if we wish to communicate urgently with the Company and are unable to do so because of the absence of Major Holmes, we should hold ourselves entirely free to take what action we think fit.

An alternative course of action would be to tell the Company that we cannot accept their interpretation of Condition C, and that they must maintain Major Holmes for a period of at least ten months in each year in Bahrein. This would probably be a more effective method, as it is generally believed that Major Holmes would not be willing to stay for such long periods in Bahrein. The upshot would probably be, therefore, that either he or the Company would propose that he should resign his post.

Colonial Office, 1933.

18301/33 [No. 1].

No. 120.

NOTE ON NEGOTIATIONS LEADING TO THE INSERTION OF CONDITIONS C AND D IN THE SCHEDULE TO THE AGREEMENT SIGNED ON THE 12TH OF JUNE, 1930.

1. THE texts of Conditions C and D in the Schedule to the Agreement of the 12th of June, 1930, are as follows:—

> C. The Bahrein Petroleum Company, Limited, shall at all times maintain in Bahrein an official to be called the "Chief Local Representative" of the Company whose appointment shall be approved by His Majesty's Government in the United Kingdom and who shall be the sole representative of the said Bahrein Petroleum Company, Limited, empowered to deal direct with the local authorities and population in Bahrein. All communications which that official may desire on behalf of the said Bahrein Petroleum Company, Limited, to address to the Shaikh of Bahrein shall be made through the British Political Agent in Bahrein. For the first five years after the said Bahrein Petroleum Company, Limited, starts to operate in Bahrein, or for such lesser period as such Company may operate in that territory, their "Chief Local Representative" shall be Major Frank Holmes, provided the arrangement between that Company and Major Holmes continues to be mutually satisfactory to them during such five years, or such lesser period above mentioned. Provided also that any sooner determination of the appointment of Major Holmes shall be subject to the consent of His Majesty's Government, which shall not be unreasonably withheld. A reasonable time shall be allowed for the replacement of the "Chief Local Representative" in the event of this post falling vacant.
>
> D. As many of the employees of the Bahrein Petroleum Company, Limited, in Bahrein as is consistent with the efficient carrying on of the undertaking shall at all times be British subjects or subjects of the Shaikh of Bahrein. (See No. 53 in Middle East No. 32.)

2. It is quite clear that these conditions were exacted by His Majesty's Government in return for the grant of an extension of the Syndicate's Exploration Licence in 1928 in view of the fact that the Syndicate made no secret of their intention to transfer their rights to American interests. The Americans strongly objected to them. The original proposal was that the Company should have *a local General Manager who should be a British subject*, and that such a percentage of the local staff employed as

circumstances should permit should at all times be British subjects or subjects of the Shaikh of Bahrein. (See enclosure in No. 6 in Middle East No. 32.)

3. The American view can best be shown by the following extract from a record of a meeting held on the 19th of July, 1929, between representatives of the Syndicate and the Colonial Office :—

> " Both Mr. Janson and Major Holmes considered that it would be difficult, if, indeed, not impossible, to secure the assent of their American friends to the suggestion that the local General Manager and the whole of the local staff, with certain exceptions to be agreed upon between the parties, should be at all times British subjects or subjects of the Shaikh of Bahrein. American oil magnates had a very low opinion of British directing staff, and were likely to desire to employ American subjects as their local technical staff. Their American friends attached such importance to the retention in the hands of American engineers of the control of the technical work to be carried out in Bahrein that, although they might be prepared to agree to the appointment of a British subject as their local General Manager, they were unlikely to agree that more than a small proportion of their local technical staff should be British subjects. Insistence on the acceptance of the condition proposed might result in the refusal of their American friends to participate in the operation of their Concession, with the result that the oil resources of Bahrein would not at present be exploited. After some discussion the representatives of the Syndicate agreed that if the condition in question could be amended by the omission of the words " the whole of the local staff, with certain exceptions to be agreed upon between the parties," and the insertion in lieu of the words " as many of the local staff as is consistent with the efficient carrying out of the undertaking," they would do their utmost to induce their American friends to accept the conditions proposed. Sir John Shuckburgh agreed to the amendment suggested." (See No. 29 in Middle East No. 32.)

4. The attitude of His Majesty's Government is set out in paragraph 2 of No. 42 in Middle East No. 32, which reads as follows :—

> " I am to explain that His Majesty's Government in the United Kingdom attach great importance to the acceptance of these conditions and are not prepared to agree to their modification. The third of these conditions, which is essential to the harmonious working of the enterprise, is imposed as much in the interests of the operating Company as of His Majesty's Government. In the opinion of His Majesty's Government it is essential that, if the oil resources of Bahrein are to be profitably exploited, the relations between the Company engaged in such exploitation and the local authorities and population in Bahrein should be maintained upon a satisfactory and friendly basis. To secure this end, it is absolutely necessary, in the view of His Majesty's Government, that there should be no doubt in the minds of such local authorities and population as to who is the Chief Local Representative of the Company and that such local representative should be not only *persona grata* with His Majesty's Government and with the local authorities in Bahrein, but also familiar with the conditions prevailing in the Arabian littoral of the Persian Gulf. Moreover, in view of the special treaty relations existing between His Majesty's Government and the Shaikh of Bahrein it is highly desirable that the principal representative of the Company should be a British subject."

It had already been explained to the Syndicate's representatives that it was a matter of indifference to His Majesty's Government whether or not the Company's local representative controlled the technical operations of the Company.

5. The Americans maintained their objections to the principle that the Company's local representative should be British, and a compromise was reached that while the condition should not contain this stipulation, it should provide that Major Holmes should hold the post for the first five years. The Americans also objected to being tied to Major Holmes for a period of five years regardless of all possible contingencies, and to meet this objection provisos were attached to Major Holmes's appointment to give the Company latitude (*a*) to choose someone else who should be *persona grata* with His Majesty's Government if Major Holmes should resign or prove unsuitable before the expiry of five years, and (*b*) to take a reasonable time to replace him by a suitable successor. In pressing their point the Americans emphasized the fact that they were fully convinced that Major Holmes was altogether competent to fill the post on account of his proved abilities.

6. The wording of Condition C in paragraph 1 above represents the compromise reached between the two points of view.

7. There is nothing definite to show what is meant by the term " local authorities." It is used at various times in conjunction with " the Shaikh " and " the local population." It does not appear to refer to local British authorities in the Persian Gulf, because the Company's representative is empowered to deal with " the local authorities and population in Bahrein." It may include the Political Agent at Bahrein and also such local Bahreini authorities as deal with questions of shipping and leasing land. It might, however, be mentioned that in writing to the Colonial Office on the subject of Condition C the Foreign Office said that " Mr. Henderson does not attach importance to the precise designation to be given to the British official of the Company at Bahrein, so long as it is made clear that that official only may have access to the Shaikh and is the responsible representative of the Company for the purpose of all dealings with the Shaikh and his people." (See No. 32 in Middle East No. 32.)

Colonial Office, 1933.

18301/33 [No. 39].

No. 121.

MR. G. W. RENDEL (FOREIGN OFFICE)

to

MR. K. W. BLAXTER (COLONIAL OFFICE).

MY DEAR BLAXTER, Foreign Office, S.W.1, 7th June, 1933.

As Warner has, I think, told you orally when discussing your letter of the 20th May,* to me on the question of Major Holmes's non-compliance with his obligation as regards residence in Bahrein, we are not quite clear as to the reasons which have led you to the conclusion embodied in that letter that it would be best to do nothing in the matter until other questions pending with the Bahrein Oil Company are out of the way.

2. We gather that you propose to consider the question of Holmes's residence in Bahrein as a comparatively minor one, over which the other questions outstanding between His Majesty's Government and the Bahrein Oil Company should take precedence. We are not quite sure that we agree with this appreciation, and I wonder whether we ought not to consider the matter from the following rather different point of view.

3. Looking at it in its widest aspect, we are inclined to feel that the unsatisfactory state of all these oil questions in the Gulf from His Majesty's Government's point of view is due in large measure to Holmes's activities. If this is so, is it not important to do anything we legitimately can to circumscribe those activities? And if the answer to this question is in the affirmative, is not one way of doing this ready to our hand in Condition C attached to the Bahrein Oil Company's concession regarding the appointment of Major Holmes as Chief Local Representative in Bahrein?

4. We understand that it is generally agreed by the Departments concerned that the interpretation which the Company have sought to put upon the phrase in this " condition " regarding residence in Bahrein is quite untenable, and that the Company should be informed that we consider the words are only open to their natural construction that Holmes should spend his whole time there (with a period of annual leave for purposes of health which Holmes could reasonably be expected to spend in a better climate than that of the Gulf). It may be true, as Laithwaite, I think, pointed out at one of the recent interdepartmental meetings, that within the limits of strict compliance with this condition, Holmes could still pay frequent visits by air to Kuwait and perhaps to other places in the Gulf; but it would at any rate exclude his being present for longish periods at the Shaikh of Kuwait's elbow during ticklish stages in the Kuwait negotiations, and his flying off to Jedda, Cairo, &c., at frequent intervals as he seems to be at present.

5. It was presumably intended, when Condition C was made, that the Chief Local Representative in Bahrein should be someone who was *persona grata* to His Majesty's Government and that he should to some extent hold a watching brief for His Majesty's Government or at least be a safeguard against things being done by the

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* No. 118.

Company at Bahrein which His Majesty's Government would not approve. Though Holmes was unfortunately specifically nominated by His Majesty's Government as the first incumbent of the post, we are all agreed, I think, that he has completely failed to fulfil any such purpose. The question of getting Holmes removed from the post of Chief Local Representative has received some interdepartmental consideration, and at one time you had, I think, derived from your meetings with representatives of the Bahrein Oil Company the impression that they might not be unwilling to see him go; but I understand from Warner that their later attitude has changed your impression. Moreover, it is not at all clear from the terms of Condition C that His Majesty's Government have the right to demand Holmes's dismissal. There is the further consideration on this point that to remove him would probably merely give him more scope for undesirable activities at Kuwait and elsewhere than if he were more strictly tied to Bahrein. We doubt therefore whether the idea of getting Holmes removed can be usefully pursued.

6. We have also considered whether it might not be intimated to the Company, or perhaps to Holmes himself, that the intention referred to at the beginning of the preceding paragraph was, in His Majesty's Government's opinion, implicit in Condition C, that we cannot consider Holmes's general behaviour and his dealings with the political authorities in the Gulf altogether satisfactory and that, if he is to retain His Majesty's Government approval of his appointment as Chief Local Representative, he should maintain closer and franker relations with the political authorities. But we fear that the terms of Condition C and the fact that it is mainly in connexion with Kuwait, so far as we know, that his attitude to the political authorities in the Gulf is open to criticism make this course difficult, unless it is considered possible and desirable to take the opportunity of the approaching grant of the mining lease to secure alterations in Condition C which might give us more hold over Holmes's conduct as Chief Local Representative. It might, however, perhaps be possible even without alteration in Condition C to give the Company a warning in general terms to the effect that Holmes's dealings of late with the political authorities, more particularly at Kuwait (where of course he has been anything but frank and open with Dickson), have not been all that we should have expected and point out to them that in the interests of good relations between the Bahrein Petroleum Company and His Majesty's Government Holmes should study to deserve our good opinion. Possibly a hint to this effect combined with a direct statement that we expected Holmes to be permanently resident and on the spot in Bahrein would have the effect of making the Company instruct Holmes that he must limit his visits to Kuwait and be more careful not to incur the distrust of the political authorities in the Gulf by going behind their backs over Kuwait.

7. We shall be interested to learn whether you and the other departments concerned think that anything useful could be done on these lines. Obviously the whole question is full of snags, and any action will need very careful consideration, but I rather dislike the idea of merely accepting the present situation.

8. I am sending copies of this letter to Walton, Starling, and Moore.

Yours, &c.,
G. W. RENDEL.

18301/33 [No. 40].

No. 122.

MR. F. C. STARLING (Petroleum Department)

to

MR. K. W. BLAXTER (Colonial Office).

Petroleum Department,
Mines Department, Dean Stanley Street, Millbank,
Westminster, London, S.W.1, 16th June, 1933.

My dear Blaxter,

With reference to Rendel's letter to you of 7th June,* on the subject of Major Holmes's residence in Bahrein and his obligations under the Agreement of 12th June, 1930, I have been considering the matter further and it seems to me that it is worth exploring the question of whether Holmes could not be removed or his activities circumscribed, as suggested in Rendel's letter. I note from your letter of 20th May,† that the Colonial Office suggest that the matter be allowed to rest until the other questions, *i.e.*, extension of the prospecting licence and amendment of the mining

* No. 121. † No. 118.

lease, have been got out of the way, but this might take a considerable time and I am very doubtful as to the wisdom of waiting until all these things have been cleared up. Would it not be possible when these points are being discussed with Ballantyne to take the opportunity of raising Holmes's position on the ground that the existing agreement is not being complied with. Judging by past correspondence it appears that the Company do not altogether approve of him, and if we give them a hint that His Majesty's Government were not satisfied with his recent activities they might be prepared to terminate his services. Failing that, we might take the line that we propose to insist on the agreement being observed which would involve his remaining in Bahrein for the full period of residence as prescribed in the agreement. As the Company's operations increase there should be more for him to do there than has been the case in the past. If as a result of such action Holmes resigned his appointment, it would be all to the good and I am inclined to think that once he gave up Bahrein his prestige would be very much lessened in other countries in the Persian Gulf and Arabia.

I am sending copies of this letter to Rendel, Walton, and Moore.

Yours, &c.,
F. C. STARLING.

18301/33 [No. 41].

No. 123.

CAPTAIN H. R. MOORE (Admiralty)

to

MR. K. W. BLAXTER (Colonial Office).

Plans Division, Naval Staff,
Admiralty, S.W.1, 19th June, 1933.

Dear Blaxter,

Referring to Rendel's letter of 7th June* and to Starling's letter of 16th June,† the Admiralty would welcome measures to pin down Holmes at Bahrein or get rid of him, provided they could be taken without harm to the negotiations with the Company for the inclusion of safeguards in the mining lease.

2. It seems to me that the measures proposed by Rendel in the latter part of his paragraph 6, and by Starling, might have the desired effect, and are worth trying.

3. I am sending copies of this letter to Rendel, Walton, and Starling.

Yours, &c.,
H. R. MOORE.

18301/33 [No. 42].

No 124.

MR. J. G. LAITHWAITE (India Office)

to

MR. K. W. BLAXTER (Colonial Office).

My dear Blaxter,
India Office, Whitehall, S.W.1, 23rd June, 1933.

We have been thinking over Rendel's letter of the 7th June,* about the question of Holmes's residence in Bahrein and the views expressed on it by Starling and Moore.

2. We fully recognize the difficulties of effective action. But as you know, we have for a long time past been concerned about Holmes's position and our anxieties were shared not only by Sir Hugh Biscoe but by the present Political Resident. We are, therefore, in these circumstances, rather inclined to agree with the Foreign Office that, unless the Colonial Office see really strong objection, it would be worth reconsidering the matter, possibly on the lines suggested by Rendel, and we are inclined to think that the best thing might be that the four Departments principally concerned should meet and discuss in rather greater detail how best to deal with it. If you agree as to this, perhaps you will let us know in due course?

3. I am sending copies of this letter to Rendel, Starling, and Moore.

Yours, &c.,
J. G. LAITHWAITE.

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* No. 121. † No. 122.

18301/33 [No. 51A].

No. 125.

GROUNDS OF COMPLAINT AGAINST MAJOR HOLMES.

Residence in Bahrein.

1. From August, 1930, to August, 1932, Major Holmes was resident in Bahrein for periods which amounted in all to about six months. Since that time he has been absent on numerous occasions on matters unconnected with his duties as the Company's Chief Local Representative in Bahrein.

2. In April, 1933, Major Holmes submitted an application by the Bahrein Petroleum Company for an extension of the Company's prospecting licence in return for increased payments and stated that the Company could not hold their financial offer open for more than 30 days from a certain date. After submitting his proposals Major Holmes left Bahrein for Egypt and Jedda. The British Political Agent had thus no one in Bahrein with whom to communicate on any points for discussion which might arise from the proposals. Such points did arise and the Shaikh of Bahrein expressed surprise at "the absence of Major Holmes from Bahrein during a discussion of such importance."

3. In May, 1933, Major Holmes returned to Bahrein and after interviewing the Shaikh produced certain further proposals which he communicated to the British Political Agent. He then again left Bahrein. Both the circumstances surrounding the submission of the later proposals and the terms of the proposals themselves called for discussion with Major Holmes, but he was still absent from Bahrein at the end of June. Information has, however, now been received that the Bahrein Petroleum Company have recalled him to Bahrein.

Direct Communication with the Shaikh.

4. The personal interview with the Shaikh of Bahrein referred to in the preceding paragraph was in direct contravention of the stipulation contained in Condition C that all communications with the Shaikh must be through the British Political Agent.

General Conduct in Bahrein and Elsewhere.

5. Since his appointment under the Bahrein Petroleum Company, Major Holmes's general conduct both in Bahrein and elsewhere in the Persian Gulf has been unsatisfactory from the point of view of His Majesty's Government.

6. With regard to Bahrein, it is clear that he has made serious mis-statements regarding his interview with the Shaikh in May (*a*) by misrepresenting the Shaikh as having himself put forward proposals to Major Holmes whereas the Shaikh declares that the reverse was the case (and the complicated nature and elaborate drafting of the proposals tend strongly to bear out the Shaikh's version), (*b*) by misrepresenting the Shaikh as having agreed to some of his proposals, and (*c*) by asserting that certain aspects of the matter were discussed which in fact were not mentioned at the interview.

7. He had used his frequent and prolonged absences from Bahrein to mix himself up in several matters connected with oil in the Persian Gulf outside the scope of his duties as Chief Local Representative of the Bahrein Petroleum Company. The chief of these extraneous activities has been his protracted negotiations with the Shaikh of Kuwait on behalf of the Eastern and General Syndicate and the American interests behind the Syndicate for an oil concession in Kuwait, during which time he has been far from open in his dealings either with the Shaikh or with the local British authorities in the Gulf. He has also taken a hand in various efforts on the part of American interests to obtain oil concessions in other parts of the Persian Gulf area and in Nejd. In short, it is probably not too much to say that the present unsatisfactory position of the various oil questions in the Persian Gulf (including Bahrein) is largely due to Major Holmes's activities in the past three years.

18301/33 [No. 52].

No. 126.

COLONIAL OFFICE to the TREASURY SOLICITOR.

Sir, Downing Street, 31st July, 1933.

I am directed by Secretary Sir Philip Cunliffe-Lister to refer to the letter from this Department of the 11th of May* and to your reply of the 18th of May† regarding the Bahrein Petroleum Company's Oil Concession in Bahrein, and to inform you that further questions have arisen in connexion with this concession upon which your advice is desired.

2. The points on which your advice is sought arise out of Condition C scheduled to the Indenture of the 12th of June, 1930, a copy of which accompanied the Colonial Office letter under reference. A copy of Condition C is, however, enclosed with this letter for ease of reference. By this Condition, the Bahrein Petroleum Company are required to maintain *at all times in Bahrein* an official to be styled the Company's "Chief Local Representative," whose appointment shall be approved by His Majesty's Government, who shall be the sole representative of the Company empowered to deal direct with the local authorities and population in Bahrein, and who shall communicate with the Shaikh of Bahrein only through the British Political Agent in Bahrein. The Condition goes on to provide that for the first five years after the Company starts to operate in Bahrein, or for such lesser period as the Company may operate in that territory, their "Chief Local Representative" shall be Major Frank Holmes, provided that the arrangement between the Company and Major Frank Holmes continues to be mutually satisfactory and provided that the determination of his appointment shall be subject to the consent of His Majesty's Government.

3. It should be explained that His Majesty's Government attached considerable importance to the Company's Chief Local Representative being a British subject. This was considered most desirable not only to ensure harmonious relations between the Company exploiting the concession and the Bahreini population and the local authorities, but also because of the special treaty relations existing between His Majesty's Government and the Shaikh of Bahrein in view of which His Majesty's Government were anxious that the Company's Chief Local Representative should be a British subject who would be *persona grata* to His Majesty's Government. This was explained at the time to representatives of the American interests, to whom the concession was being assigned, and who were anxious to appoint a United States citizen as the Chief Local Representative. A compromise was eventually reached whereby, although Condition C did not state in terms that the Company's Chief Local Representative should be a British subject, Major Holmes, who is a British subject, should be appointed to the post for the first five years. A further reason actuated His Majesty's Government in insisting upon the inclusion of such a provision in the conditions attaching to their consent to the assignment of the Bahrein Oil Concession to American interests, namely, that as in the case of Conditions A and B it was desired to safeguard so far as practicable, the interests of His Majesty's Government.

4. Unfortunately, the arrangement has not turned out satisfactorily from the point of view of His Majesty's Government. Major Holmes has frequently and for long periods absented himself from Bahrein, and has on one occasion at least failed to comply with the provision that he should communicate with the Shaikh only through the Political Agent at Bahrein. Moreover, he has taken advantage of his absences from Bahrein to engage in other activities, unconnected with his duties in Bahrein, which have been the cause of considerable embarrassment to His Majesty's Government in the Persian Gulf and elsewhere. A note‡ is attached to this letter setting out in more detail the grounds of complaint against Major Holmes.

5. In these circumstances, His Majesty's Government have, for some time, had under consideration the possibility of taking steps either to compel Major Holmes to confine himself to carrying out his duties in Bahrein within the terms of Condition C, or to securing his replacement by some other more satisfactory individual. To this end, it has been necessary for His Majesty's Government to examine their precise position under Condition C. The view taken is that the wording of the Condition is open only to the natural construction that the Company's Chief Local Representative

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* No. 78. † No. 80. ‡ No. 125.

should spend his whole time in Bahrein (with a reasonable period of annual leave for purposes of health, which should be spent in a better climate than that of the Gulf). He should, in any case, be at hand when business has to be transacted with the local authorities, or negotiations conducted with the Shaikh of Bahrein, whether such business or negotiations are initiated by the concessionnaires or by the other party. It may also be held to be implicit in the Condition that the Chief Local Representative, who is to be *persona grata* to His Majesty's Government, should to some extent hold a watching brief for His Majesty's Government, or at least constitute himself a safeguard against things being done by the Company at Bahrein which His Majesty's Government would not approve.

6. In August, 1932, the question of Major Holmes's absences from Bahrein was taken up with the Company, when they were asked whether they would give an assurance that Major Holmes would reside in Bahrein for a minimum period of nine months each year. After oral discussions with the Company's representative in London, a reply was received to the effect that the Chief Local Representative had been in Bahrein at all times required by the Company for communications with the Shaikh and the local authorities, and expressing the view that, while Condition C decides the medium of approach, it leaves to the Company "as necessarily it must," the decision when and for what purposes the Company should approach the local authorities. A copy of the correspondence* with the Company is enclosed with this letter. A corollary to the Company's interpretation of Condition C (which in fact the Company's representative in London has asserted orally) is that no violation of the Condition would have taken place if at any time the local authorities, or the Shaikh, desired to transact business with the Chief Local Representative and the latter was absent from Bahrein.

7. Before pursuing the matter further with the Company, it is desired to clarify the legal position under Condition C, and I am accordingly to request that you will be good enough to furnish your advice on the following points:—

(*a*) The correct interpretation of the phrase "at all times maintain in Bahrein"; *i.e.*, does this mean that the Chief Local Representative should spend his whole time in Bahrein, with a reasonable period for leave, or that he need only be in Bahrein when required to transact business or conduct negotiations?

(*b*) If the latter interpretation is correct, does this mean that he need only be in Bahrein to transact business or conduct negotiations *when required by the Company?*

(*c*) Whether it can reasonably be argued, in view of the considerations mentioned in paragraph 3 above, that it was implied in the arrangement embodied in Condition C that the Chief Local Representative, who must be approved by His Majesty's Government, should to some extent hold a watching brief for His Majesty's Government, or at least be a safeguard against things being done by the Company at Bahrein which His Majesty's Government would not approve?

(*d*) Whether in view of the wording of the Condition, His Majesty's Government can demand the dismissal of Major Holmes, if he fails to carry out his obligations thereunder and if so, whether, in the event of the Company refusing to comply with such demand, the Shaikh on the advice of His Majesty's Government would be entitled to determine the concession?

8. I am to add that on the 1st August the India Office takes over from the Colonial Office the work connected with the Persian Gulf hitherto dealt with in this Department; and I am to ask therefore that you will be good enough to send to the India Office your reply to this letter.

I am, &c.,
O. G. R. WILLIAMS.

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* Nos. 33 and 112.

67

KUWAIT.

Applications of the Eastern and General Syndicate, Limited, and the Anglo-Persian Oil Company.

C. 98019/32 [No. 1].

No. 127.

ANGLO-PERSIAN OIL COMPANY, LIMITED, to COLONIAL OFFICE.

Britannic House, Finsbury Circus,
London, E.C.2, 28th January, 1932.

SIR,

Kuwait.

WITH reference to correspondence ending with your letter of 23rd September, 1931,* we have to report that a party of geologists have been actively engaged on our behalf in a careful reconnaissance of Kuwait territory since the middle of December. They now report that it is not possible for them to reach any reliable conclusions with regard to the older strata (which might possibly be petroliferous) underlying the recent gravels and raised beaches in Kuwait territory, unless they can extend their reconnaissance some distance to the south into the territory of Hasa, where they have good reason to believe that the older strata are in places exposed.

We understand that the areas to which they wish to have access immediately south of Kuwait are accessible by car from Kuwait, and the reconnaissance that they desire to make would not take more than a few weeks. We should be greatly obliged if you could see your way to cause application to be made to Ibn Saud by telegraph (at our expense) requesting the necessary permission and facilities.

We may mention in this connexion that we have already been supplied by the Eastern and General Syndicate with a copy of the geological report on Hasa made by geologists on their behalf This report, however, does not provide the information required.

We have, &c.
(for Anglo-Persian Oil Company, Limited),
A. T. WILSON.

C. 98019/32 [No. 3].

No. 128.

COLONIAL OFFICE to FOREIGN OFFICE.

[*Answered by No.* 131.]

SIR,

Downing Street, 4th February, 1932.

I AM directed by Secretary Sir Philip Cunliffe-Lister to transmit to you, to be laid before Secretary Sir John Simon, the enclosed copy of a letter† which has been received from the Anglo-Persian Oil Company, from which it will be observed that their party of geologists, which is now engaging in exploring Kuwait territory, is anxious to receive permission to extend their explorations for some distance into the Hasa country in order to endeavour to form some definite conclusions as to the oil possibilities of Kuwait.

2. It appears to Sir Philip Cunliffe-Lister that, in a matter like this, the necessary overtures to Ibn Saud should be made through His Majesty's Minister at Jedda, and not through His Majesty's Representative in the Persian Gulf, and, if Sir John Simon agrees, I am to request that whatever action may be considered proper may be taken, and that this Department and the Company may be informed in due course.

3. It will be observed that the Company have expressed their readiness to pay for the cost of telegrams.

4. A copy of an interim reply to the Company‡ is enclosed.

I am, &c.,
J. E. W. FLOOD.

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* No. 113 in Middle East No. 32. † No. 127. ‡ Not printed.

C. 98026/32 [No. 15].

No. 129.

INDIA OFFICE to COLONIAL OFFICE.

[*Enclosure answered by enclosure in No.* 135.]

India Office, 5th February, 1932.

THE Under-Secretary of State for India presents his compliments to Under-Secretary of State, Colonial Office, and begs to transmit to him copy of a telegram to Government of India (repeated Bushire) on the subject of Kuwait Oil Concession.

Reference to previous correspondence: Letter to the India Office of the 19th January, 1932.*

Copy also sent to Foreign Office and Petroleum Department.

Enclosure in No. 129.

(Secret.)

THE SECRETARY OF STATE FOR INDIA to GOVERNMENT OF INDIA, FOREIGN AND POLITICAL DEPARTMENT.

(Sent 3rd February, 1932.)

TELEGRAM.

384. ADDRESSED to Government of India No. 384. Repeated to Political Resident, Bushire, No. 385.

Please see papers sent by air mail 15th January, under P.Z.146/32 Kuwait Oil.

2. American Embassy are pressing right of United States interests to participate in concessions in Kuwait on an equality with British interests and appear to have been convinced by Eastern and General Syndicate that Shaikh is willing to grant syndicate concession for transfer to American interests if British Government will agree to omission of British control clause. Foreign Office on general grounds are strongly in favour of waiving British control clause. United States Embassy will press for an explicit reply and it is necessary to face this issue.

3. I feel therefore that instead of placing onus of decision entirely on the Shaikh His Majesty's Government must decide their own attitude towards question of entry of American oil interests into Kuwait and inform American Embassy accordingly.

4. Please telegraph your considered views on question of admission of American oil interests. Having regard to Foreign Office view do you consider that objections based either on traditional policy of excluding foreign interests from Arab States or on any particular circumstances make it necessary for His Majesty's Government on their own account to insist on British control clause? I appreciate risk of possible complications resulting from necessity of having to protect foreign interests in a British protected state on mainland of Arabia but if this difficulty were explained to United States Government in advance it might not in itself be a conclusive reason for excluding American interests. Moreover there is no reason to anticipate that United States Government would expect greater protection for United States interests than would normally be afforded by His Majesty's Government to British interests. On the other hand failing an acceptable offer by Anglo-Persian Oil Company (consideration of which would of course not be excluded) grant of concession to Americans on terms which adequately safeguarded Shaikh's interests might be of commercial and economic advantage to Kuwait. Please telegraph your views on all aspects of the question as soon as possible after consulting Biscoe.

5. United States Embassy were informed on 29th May, 1929, that each proposal for holding or operating of oil concessions by foreigners in territories such as Bahrein would be considered on its merits (see papers sent to India on 6th June, 1929).

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* C. 98026/32 [No. 9]: not printed.

68

C. 98026/32 [No. 16].

No. 130.

INDIA OFFICE to COLONIAL OFICE.

India Office, 8th February, 1932.

THE Under-Secretary of State for India presents his compliments to Under-Secretary of State, Colonial Office, and begs to transmit to him copy of a telegram from the Political Resident, Persian Gulf, on the subject of Kuwait oil.

Reference to previous correspondence: Letter from the India Office of the 5th February, 1932.*

Copy also sent to Foreign Office.

Enclosure in No. 130.

FROM POLITICAL RESIDENT IN THE PERSIAN GULF TO SECRETARY OF STATE FOR INDIA (REPEATING TELEGRAM ADDRESSED TO FOREIGN SECRETARY TO THE GOVERNMENT OF INDIA, FOREIGN AND POLITICAL DEPARTMENT).

(Received 11 a.m., 7th February, 1932.)

TELEGRAM.

7TH FEBRUARY. 93. Addressed to Foreign and repeated to Secretary of State for India. Telegram 384, 3rd February, from Secretary of State for India

Kuwait Oil. 2. With reference to paragraph 4. Oil interests are unlike ordinary commercial concerns, they have infinitely larger resources (? frequently) wield much political influence and demand much more extensive concessions. For instance, in the draft concession submitted by Holmes to Shaikh he sought, not merely permission to explore and prospect for oil, but to construct roads, railways, ports, lighthouses, telegraphs and telephones and to establish coaling stations. If foreign companies' operations approached the scale of the Anglo-Persian Oil Company's establishment at Abadan there would be enormous influx of foreign labour, much of it of an undesirable type. Shaikh could certainly not exercise control and we should have (? to, omitted) assume charge. After companies had obtained control of all means of communication, transport, &c., in (? omission) Shaikh would be a puppet in their hands. While I do not attach much importance to risk of isolated incidents of which foreign nationals would have to take their chance, there is always possibility of disturbances on large scale such as occurred four years ago and as may well recur if Ibn Saud's kingdom breaks up. In such event Royal Navy could not protect establishments in the hinterland and foreign interests might well call on their own Governments for protection and very difficult situation would arise. Further, if foreign interests obtained footing all down the Arab littoral, their Governments might consider it desirable for their warships to show the flag. In any case, Arab Shaikhs would in short time look rather to foreign interests, who would doubtless not stint the money, than to the British Government, as dispensers of favours, and we should lose to large extent that influence (? which we) now exercise, and the whole position which we have laboriously built up would be threatened. Having regard to the strategic importance of the Persian Gulf nowadays, it would seem essential to avoid this risk.

3. As regards the particular case of (? Kuwait) discussions hitherto have been verbal. I would suggest that Political Agent should write to the Shaikh to the effect that his letter to Holmes is somewhat (? ambiguous) and seems to be at variance with the views expressed verbally to me. His Majesty's Government would therefore be glad to know whether the Shaikh is, or is not, prepared to grant concessions to companies controlled by foreign interests. If he replies that he is not prepared to do so, I presume that it is not the intention of His Majesty's Government to force him, and reply could be communicated to the Americans, emphasis at the same time being laid on his independent status and the fact that (? we do not) interfere in his internal affairs

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* No. 129.

C. 98019/32 [No. 4].

No. 131.

FOREIGN OFFICE to COLONIAL OFFICE.

THE Under-Secretary of State for Foreign Affairs presents his compliments to the Under-Secretary of State for the Colonies and, by direction of the Secretary of State, transmits herewith a copy of correspondence on the subject of Kuwait oil.

Foreign Office, 11th February, 1932.

Reference to previous correspondence: Colonial Office letter of 4th February, 1932.*

Similar letter sent to India Office and Petroleum Department.

Enclosure 1 in No. 131.

FOREIGN OFFICE TO MR. HOPE-GILL (JEDDA).

(Sent 6.15 p.m., 9th February, 1932.)

TELEGRAM.

9TH FEBRUARY. No. 12. (R). Anglo-Persian Oil Company are examining question of applying for oil concession in Kuwait, but cannot reach reliable conclusions as to prospects without geological reconnaissance of certain areas in Hasa, immediately south of Kuwait.

Please apply to Hejaz-Nejd Government for permission and facilities for not more than three Europeans and small party of retainers to carry out such reconnaissance, which would last a few weeks only. You should emphasize that object is purely to ascertain prospects of finding oil in Kuwait and that simple geological examination only is involved.

It is important that Company should be able to take early decision; but if you think that no moment could be less opportune for making such a request, you should report by telegram.

Enclosure 2 in No. 131.

FOREIGN OFFICE TO ANGLO-PERSIAN OIL COMPANY, LIMITED.

GENTLEMEN, Foreign Office, S.W.1, 10th February, 1932.

WITH reference to correspondence† between your Company and the Colonial Office, ending with Colonial Office letter of the 4th February, regarding a proposed geological reconnaissance of certain areas in the Hasa territory south of Kuwait. I am directed by Secretary Sir John Simon to inform you that he has instructed His Majesty's Chargé d'Affaires at Jedda by telegram to the effect that, unless the present moment is for local reasons unfavourable, he should approach the Hejaz-Nejd Government with a view to obtaining the necessary permission and facilities for a small party of not more than three Europeans and their retainers to carry out this reconnaissance during a period of a few weeks only.

2. A further communication will be addressed to you on the receipt of Mr. Hope-Gill's reply.

I am, &c.,
C. W. BAXTER.

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* No. 128. † No. 127.

69

C. 98019/32 [No. 5].

No. 132.

FOREIGN OFFICE to COLONIAL OFFICE.

THE Under-Secretary of State for Foreign Affairs presents his compliments to the Under-Secretary of State for the Colonies and, by direction of the Secretary of State, transmits herewith a copy of a telegram which has been received from His Majesty's Representative at Jedda on the subject of Kuwait oil.

Foreign Office, 15th February, 1932.

Reference to previous correspondence: Foreign Office letter of 11th February.*

Similar letter sent to India Office and Petroleum Department.

Enclosure in No. 132.

HIS MAJESTY'S CHARGE D'AFFAIRES (JEDDA) TO FOREIGN OFFICE.

(Received 1.15 p.m., 11th February, 1932.)

TELEGRAM.

11TH FEBRUARY. No. 21. (R). Your telegram No. 12. I made oral application in desired sense to-day at the close of interview with Fuad on current affairs. Interview afforded first opportunity since slave incident of testing local Hejaz attitude. Its course decided me that (? group omitted) could as well be made now as later.

Fuad will telegraph King.

C. 98019/32 [No. 6].

No. 133.

FOREIGN OFFICE to COLONIAL OFFICE.

THE Under-Secretary of State for Foreign Affairs presents his compliments to the Under-Secretary of State for the Colonies and, by direction to the Secretary of State, transmits herewith a copy of a telegram which has been received from His Majesty's Representative at Jedda on the subject of Kuwait oil.

Foreign Office, 18th February, 1932.

Reference to previous correspondence: Foreign Office letter of 15th February.†

Similar letter sent to India Office and Petroleum Department.

Enclosure in No. 133.

HIS MAJESTY'S CHARGE D'AFFAIRES (JEDDA) TO FOREIGN OFFICE.

(Received 6.45 p.m., 16th February, 1932.)

TELEGRAM.

16TH FEBRUARY. No. 25. (R). My telegram No. 21. Ibn Saud will not authorize reconnaissance in neutral zone without previous agreement between himself and Shaikh of Kuwait nor in Hasa without previous establishment of conditions between himself or his representative and representative of the Company.

I gather than he would be ready to discuss also terms of oil concessions in Hasa but Fuad can give no indication as to place or time of meeting.

I can try to arrange these if Company are willing to proceed on these lines and able to state approximate date by which their representative could reach Bahrein.

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* No. 131. † No. 132.

C. 98019/32 [No. 7].

No. 134.

FOREIGN OFFICE to COLONIAL OFFICE.

THE Under-Secretary of State for Foreign Affairs presents his compliments to the Under-Secretary of State for the Colonies and, by direction of the Secretary of State, transmits herewith a copy of a letter which has been addressed to the Anglo-Persian Oil Company, Limited, on the subject of Kuwait oil.

Foreign Office, 25th February, 1932.

Reference to previous correspondence: Foreign Office letter of 18th February, 1932.*

Similar letter sent to India Office and Petroleum Department.

Enclosure in No. 134.

Foreign Office, S.W.1, 24th February, 1932.

SIR,

WITH reference to Foreign Office letter of the 10th instant, I am directed by Secretary Sir John Simon to inform you that His Majesty's Chargé d'Affaires at Jedda has now reported that he has received a reply from the Hejaz-Nejd Government to his request for the necessary permission and facilities for your Company's proposed geological reconnaissance of certain areas in the Hasa territory south of Kuwait.

2. This reply is to the effect that King Ibn Saud is not prepared to authorize a reconnaissance in the neutral zone between Kuwait and Nejd without previous agreement on the subject between himself and the Shaikh of Kuwait, or in the Hasa without the previous establishment of conditions between himself or his representative and a representative of your Company.

3. I am to suggest that if the projected reconnaissance would cover any part of the neutral zone between Kuwait and Nejd, your Company should apply to the Shaikh of Kuwait through the Political Agent at Kuwait, in order that the Shaikh may, if he is willing, approach King Ibn Saud in the matter.

4. Mr. Hope Gill reports that he was unable to obtain from the Under-Secretary for Foreign Affairs of the Hejaz-Nejd Government any indication as to when or where a representative of your Company might meet King Ibn Saud or his representative for the purpose of securing permission for a reconnaissance in the Hasa; but states that were he to be informed of the approximate date on which your representative could reach Bahrein, he would endeavour to make arrangements with the Hejaz-Nejd Government regarding a meeting. The Secretary of State will be happy to communicate to him by telegram any information which you are in a position to furnish on this point.

5. From his conversation with the Hejazi Under-Secretary, Mr. Hope Gill derived the impression that King Ibn Saud might perhaps also be prepared to discuss with your representative the terms on which His Majesty would grant oil concessions in the Hasa.

I am, &c.,
C. W. BAXTER

The Secretary,
Anglo-Persian Oil Company.
Britannic House,
Finsbury Circus, E.C.2.

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* No. 133.

69A

C. 98026/32 [No. 23].

No. 135.

INDIA OFFICE to COLONIAL OFFICE.

India Office, 27th February, 1932.

THE Under-Secretary of State for India presents his compliments to the Under-Secretary of State for the Colonies and begs to transmit to him copy of a telegram from the Government of India on the subject of Kuweit Oil.

Reference to previous correspondence: Letter from the India Office of the 5th February, 1932.*

Copy also sent to Foreign Office and Petroleum Department.

Enclosure in No. 135.

THE GOVERNMENT OF INDIA, FOREIGN AND POLITICAL DEPARTMENT, TO SECRETARY OF STATE FOR INDIA.

(Received, Part I, 12.45 p.m., Part II, 12.15 p.m., and Part III, 3.15 p.m., 25th February, 1932.)

TELEGRAM.

Part I.

25TH FEBRUARY. 623. Your telegram of the 3rd instant, No. 384, and connected correspondence. Kuweit oil.

2. Policy of His Majesty's Government in Gulf region was authoritatively defined by Secretary of State for Foreign Affairs speaking in the House of Lords on 5th May, 1903. Extract will be found in Lorimer's *Gazetteer*, Volume 1, Part 1, page 369. It will be noticed that, even then, suggestion that our efforts should be directed towards exclusion of legitimate trade of other powers was emphatically repudiated. If we attempt to define what constitutes legitimate trade we can find no more satisfactory criterion than that which is genuinely beneficial to interests of principalities in the Gulf region.

3. Proceeding on this line, although we must admit the force of many of the arguments and anticipations to which Biscoe has given expression in his telegram of 7th February, No. 93, and are under no illusions that, if concessions were granted, it would prove unmixed blessing either for Kuweit or for His Majesty's Government and ourselves, yet drawbacks which he pictures are likely to arise in matters incidental. Moreover, some of them at least could be avoided by maintenance of good relations with the Foreign Government concerned. If attention is confined to essentials we incline to the opinion that, subject to certain reservations, balance of advantage lies in admissibility of American interests. For, if project does not develop, no harm will have ensued. If it does, engagement of American capital on considerable scale in the Gulf will make for stability and world peace, which we regard as His Majesty's Government's and our own supreme interest, and will also promote local prosperity and development with which both they and we are especially concerned. We therefore agree to omission of British control clause.

Part II.

4. We are addressing you further on the various aspects of this question by mail, but desire to take this opportunity of offering certain observations for your immediate consideration and communication to Foreign Office, if you accept our views.

5. In the first place, omission to have made proper provision at Bahrein for the exclusion of foreigners has undoubtedly queered the Kuweit pitch, and we are inclined to think that it was perhaps mistake of tactics to attempt to raise the nationality bar question over the Kuweit agreement. In view of Shaikh's tortuous attitude it is, anyhow, now no longer possible to pretend that the objection comes from him, and, at present juncture, we therefore advocate dropping this line altogether.

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* No. 129.

Part III.

6. This, however, is by no means to be construed as acquiescence in the immediate grant of concession in the proposed form. Shaikh has not yet signed anything, and is under no obligation to give any concession at all to Eastern and General Syndicate, unless they are prepared to offer him terms which are genuinely to his advantage. If he can get better offer from Anglo-Persian Oil Company or any other quarter, he is quite at liberty to accept it. It might now (? we suggest) be represented to the American Ambassador that our chief concern is not so much with questions of nationality, as to secure best terms possible for the Shaikh of Kuweit and other Arab rulers of the Gulf, whom we regard as our wards, and our opposition to the admission of foreign interests hitherto has been at least, in part, based on the anticipation that they would prove less amenable to our guidance than British concerns. Approaching question of Kuweit concession(s) from this standpoint, we notice that terms are open to criticism on many points, in that they are too vague and comprehensive, giving too much to Syndicate and reserving too little for the Shaikh. Detailed examination of proposed lease follows by mail, but discussion of main issue need not perhaps be delayed for that.

C. 98026/32 [No. 32].

No. 136.

FOREIGN OFFICE to COLONIAL OFFICE.

THE Under-Secretary of State for Foreign Affairs presents his compliments to the Under-Secretary of State for the Colonies and, by direction of the Secretary of State, transmits herewith copy of a letter to His Majesty's Representative, Washington, on the subject of the United States interest in Kuweit Oil Concession.

Foreign Office,
1st April, 1932.

Reference to previous correspondence: Air Ministry letter No. 30 of 19th March.*

Similar letter sent to Admiralty, Petroleum Department, and India Office.

Enclosure in No. 136..

(Confidential.)
(No. 389.)

Foreign Office, 30th March, 1932.

SIR,

MR. ATHERTON saw me this morning with reference to the transfer to the Eastern Gulf Oil Company of the oil concession which the Eastern and General Syndicate are seeking to obtain from the Shaikh of Kuweit. General Dawes had mentioned this matter to me last December, and I had referred what he had said to the Colonial Office. Mr. Atherton indicated that the State Department were concerned at the lapse of time which had taken place without a reply from the British Government, especially as the Anglo-Persian Oil Company, a rival concern, has been in the meantime conducting geological investigations in the area, and has been following these up by an expedition equipped with drilling machinery and plant.

Mr. Atherton left with me a note which he had been instructed to deliver, and observed that inasmuch as a satisfactory arrangement had been made in reference to Bahrein, his Government considered that there ought to be no objection in the case of Kuweit. I explained to him that my own absence at Geneva had to some extent delayed the reaching of a conclusion on the matter, but that I had, since my return, been studying it afresh. Several Departments were interested in the question and I hoped to have the opportunity of bringing the matter before the Cabinet at its next meeting in a week's time, after which I would communicate with him again.

I am, &c.,
JOHN SIMON.

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* C. 98026/32 [No. 30]: not printed.

SIR,

United States Embassy, London, 29th March, 1932.

ACTING under instructions, I have the honour to inform you that my Government recalls the inquiry which it made through this Embassy in 1929 as to the policy of His Majesty's Government in the matter of the holding and operation of petroleum concessions by American nationals in British-protected Arab territories such as Bahrein. His Majesty's Government is aware of the solution subsequently arrived at in the specific case of the Eastern and General Syndicate which, on behalf of the Eastern Gulf Oil Company, was at that time seeking a modification of the so-called "Nationality clause," the inclusion of which in any oil concessions granted by the Shaikh of Bahrein was being insisted upon by the Colonial Office. The arrangement then agreed upon had appeared to my Government only just in view of the extremely liberal treatment accorded in the United States and in its possessions in reference to the operation of petroleum concessions by British companies. My Government had therefore supposed that the policy of His Majesty's Government would be no less liberal in the matter of according open-door rights to American nationals in Kuweit than it had shown itself to be in the almost identical case of Bahrein. The American Government sincerely trusts that it has been correct in this assumption and would appreciate an early indication that such is the case.

My Government understands that it is the policy of His Majesty's Government to require the companies seeking concessions in Arab States, such as Kuweit, that such companies obtain the prior consent of the rulers of such States to the entry and operations of such companies in the territories in question. The American Government is informed that contrary to the impression that seems to have prevailed in the Colonial Office, the Shaikh of Kuweit is understood to be quite agreeable to the specific entry of the Persian Gulf Oil Company and to the granting on behalf of that Company of an oil concession without the inclusion of the "Nationality clause." The American Government trusts that, in view of the apparent willingness of the Shaikh in this matter, His Majesty's Government will see its way clear to taking up, in the case of the Kuweit concession, no less liberal an attitude than was assumed in the case of the Bahrein concession.

The American Government understands that, despite the fact that the Colonial Office as early as 1925 gave its full and unqualified consent to the negotiation by the Eastern and General Syndicate of an oil concession with the Shaikh of Kuweit, that office later qualified its consent by insisting upon the inclusion of the "Nationality clause" in any agreement arrived at with the Shaikh for the apparently specific purpose of preventing the entry into that territory of the Eastern Gulf Oil Company, which had meanwhile arrived at an understanding with the Syndicate as to the transfer of any concessions that it might obtain from the Shaikh. The continued insistence of the Colonial Office on this point and its apparent unwillingness to accord to that syndicate the same treatment as was accorded in the case of Bahrein has seriously handicapped the Syndicate in bringing to a conclusion with the Shaikh the negotiations which that concern was authorized by the Colonial Office to undertake.

The above situation is further complicated by the fact that at the very moment while His Majesty's Government had under consideration the petition of the Syndicate for the elimination or modification of the "Nationality clause," permission was granted the Anglo-Persian Oil Company, a rival concern, to send a small party of geologists to Kuweit for the purpose of studying the surface geology of the ground.

It will be recalled that this Embassy on repeated occasions requested of the Foreign Office that the Company in question should not be permitted to proceed with its operations, pending a decision by His Majesty's Government on the question then before it regarding open-door rights for American nationals in Kuweit. Now my Government has been informed that this study of the surface geology has been followed by a sceond expedition equipped with drilling machinery and plant. The Government of the United States greatly regrets that no effect has been given to this Embassy's request in this matter, but would appreciate being assured by His Majesty's Government that this fact will not be allowed to militate against the position of the Syndicate and its affiliate, the Eastern Gulf Oil Company, in the eventual granting of an oil concession in Kuweit.

I have, &c.,
RAY ATHERTON,
Chargé d'Affaires *ad interim*.

C. 98026/32 [No. 34].

No. 137.

FOREIGN OFFICE to COLONIAL OFFICE.

THE Under-Secretary of State for Foreign Affairs presents his compliments to the Under-Secretary of State for the Colonies and, by direction of the Secretary of State, transmits herewith copy of a despatch to the United States Chargé d'Affaires on the subject of oil in Kuweit.

Foreign Office, 13th April, 1932.

Reference to previous correspondence: Foreign Office letter of 1st April, 1932.*

Similar letter sent to India Office, Petroleum Department, Admiralty, and Air Ministry

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Enclosure in No. 137.

(Confidential.)

Foreign Office, 9th April, 1932.

SIR,

WITH reference to your note No. 1696 of the 29th March, regarding the application of the Eastern and General Syndicate for an oil concession in Kuweit, which they propose, if granted, to transfer to United States interests, I have the honour to inform you that His Majesty's Government have given careful consideration to the representations made by General Dawes and yourself on this subject, and I am now in a position to return you a reply.

2. Your Government will appreciate in the first place that the Shaikh of Kuweit, though an independent ruler, is in special treaty relations with His Majesty's Government and enjoys their protection. These special relations lead him to seek their advice on important matters of policy, and place His Majesty's Government under an obligation to watch over his interests. Many years ago the predecessor of the present Shaikh gave an undertaking that he would not grant an oil concession in his territories without their consent.

3. In paragraph 2 of your note of the 29th March you mention that your Government are informed that the Shaikh is agreeable to the "entry of the Eastern Gulf Oil Company and to the granting on behalf of that Company of an oil concession without the inclusion of the 'Nationality clause.'" As was explained to you in a semi-official letter of the 22nd December last from my Department, His Majesty's Government, on learning this, felt some doubt as to the correctness of this interpretation of the Shaikh's attitude, since the Shaikh had consistently expressed himself emphatically to the local British authority as desirous of confining any oil concession to entirely British interests. In your letter of the 30th December you were good enough to transmit for my information a copy and translation of a letter from the Shaikh to Major Holmes, the representative of the Eastern and General Syndicate, on which the American interests apparently based the information on this point given to your Government. His Majesty's Government have caused inquiry to be made of the Shaikh, who replied that he was still averse from receiving in his principality a company other than an entirely British one and that he did not consider himself as in any way committed by his letter to Major Holmes to grant the Eastern and General Syndicate the concession which they seek. It will be observed from a reference to the Shaikh's letter that its final sentence only expresses a readiness to discuss the matter further with Major Holmes after agreement has been reached between the Syndicate and His Majesty's Government.

4. When examining the necessity for the continued insistence on the inclusion in any oil concession in respect of Kuweit of a clause confining it to British interests, His Majesty's Government have been concerned not only with their own interests in the matter, but also with their duty to secure the best terms possible for the Shaikh of Kuweit, and in particular have had regard to the possibility that it would be less difficult for the local British authorities to control the activities of a purely British concern and to reconcile them with the Shaikh's interests. On a balance of all the conflicting considerations, His Majesty's Government are, however, now prepared, for their part, not to insist in this case that any concession must contain a clause confining it to British interests, if the Shaikh for his part is willing to grant a concession without such a clause.

* No. 136.

5. I wish, however, to make it clear that this decision does not imply agreement in the immediate grant of the proposed concession to the Eastern and General Syndicate, to which the Shaikh, as stated above, considers himself in no way committed. His Majesty's Government indeed do not consider that they could properly advise the Shaikh to give prior or preferential treatment to the Eastern and General Syndicate, but hold it to be necessary that any application for a concession which may be forthcoming from any quarter be examined with a view to decide which, if any, will best serve the interests of the Shaikh and his principality. I should add that the draft Concession submitted to the Colonial Office by the Syndicate would in any case need revision, both in respect of the provisos designed to safeguard the interests of His Majesty's Government (Clause 8) and on many points affecting the interests of the Shaikh.

6. In paragraphs 4 and 5 of your note of the 29th March you have referred to the operations now being carried out by the Anglo-Persian Oil Company in Kuweit and reminded me of the requests made to my Department that this Company should not be permitted to proceed with its operations pending a decision by His Majesty's Government as to the exclusion of all but British interests. I would explain that the Anglo-Persian Oil Company manifested an interest in Kuweit oil, and, indeed, made a formal application for a concession before the Eastern and General Syndicate had even appeared on the scene, though the negotiations were at that time not brought to a conclusion, chiefly because the terms suggested were not satisfactory. Several months before any representations were made by General Dawes or yourself in the matter, the Anglo-Persian Oil Company made a request for permission to carry out a geological survey in Kuweit with a view to decide whether to submit an application for an oil concession. In order to ensure that any oil concession which the Shaikh may grant shall embody the best available terms, it is, in the view of His Majesty's Government, desirable and proper that any interested companies be given every opportunity in advance of satisfying themselves, whether or not they wish to submit an offer. His Majesty's Government therefore raised no objection to the grant by the Shaikh of the application of the Anglo-Persian Oil Company. I understand that their present activities in Kuweit are confined to such a geological survey.

7. The position therefore is that His Majesty's Government, for their part, are prepared to agree to the omission from any oil concession, which the Shaikh may be prepared to grant, of a clause confining it to British interests. If, therefore, the Eastern and General Syndicate desire to renew their application to the Shaikh for a concession, which they would subsequently transfer to the Eastern Gulf Oil Company, His Majesty's Government will raise no objection to the application being taken into consideration together with any other applications for oil concessions which may be forthcoming from other quarters.

I have, &c.,
JOHN SIMON.

C. 98026/32 [No. 49].

No. 138.

INDIA OFFICE to COLONIAL OFFICE.

India Office, 1st May, 1932.

THE Under-Secretary of State for India presents his compliments to Under-Secretary of State, Colonial Office, and begs to transmit to him copy of a despatch from the Government of India on the subject of the Kuweit Oil Concession.

Reference to previous correspondence: Letter to the India Office of the 26th April, 1932.*

Copy also sent to Petroleum Department, Foreign Office, and Admiralty.

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* C. 98026/32 [No. 39]: not printed.

Enclosure in No. 138.

Government of India,
Foreign and Political Department,
Simla, 15th April, 1932.

To the Secretary of State for India, London.

CONTINUATION of our telegram No. 623, dated the 25th February, 1932. Kuweit Oil concession.

As promised in concluding portion of paragraph 6 of the telegram extracts from note by Dr. Fermor, Director of Geological Survey of India, containing detailed examination of the draft agreement presented by Major Holmes to the Shaikh of Kuweit in May, 1931, are enclosed for the information of the Secretary of State for India.

The Government of India are in general agreement with Dr. Fermor's views and offer the following further criticisms of the proposed draft lease :—

(*a*) *Clause* 3. The guard for the protection of the Company's works, communications, &c., should be paid for by the Company through the Shaikh, who would thus have direct control of the numbers, armament, and scope of the force employed.

(*b*) *Clauses* 4 *and* 7. The coaling and oil stations (Clause 4) and the docks and wharves (Clause 7) established and maintained along the coast of Kuweit must, in time of war, pass under the control of the Shaikh.

(*c*) *Clause* 9 is too wide and vague and might have the effect of creating an *imperium in imperio*. In our opinion the clause should be deleted or at any rate it should be made clear that the representatives of the Company in the Kuweit territory will be subject to the administrative and legal authority of the Shaikh to the same extent as other foreign residents in the territory.

(*d*) We find that no provision is made for keeping accounts and would suggest that Shaikh should be advised to ask for the insertion of a clause stipulating the keeping of correct and intelligible books of accounts upon such plan or principle and in such form as may be approved of by the Shaikh.

(*e*) We also suggest a similar stipulation for keeping correct and intelligible maps and plans in such manner as may be prescribed by the Shaikh.

(*f*) The Shaikh might also be advised to ask for the insertion of a clause stipulating that at the expiration or sooner determination of the term of the concession, the Concessionnaire should deliver the " conceded territory " to him in good order and in a condition fit in all respects for its further exploitation.

Issue of the above has been authorized.

H. A. F. METCALFE,
Deputy Secretary to the Government of India.

(Copy to Political Resident, Bushire.)

Extracts from note by Dr. Fermor, Director of Geological Survey of India, dated 20th March, 1932.

* * * * * * * * *

15. The proposed concession agreement appears to me to be open to so many serious objections that, apart from the question whether ultimately this Syndicate will obtain a concession at all, I strongly recommend that this form of agreement should be scrapped entirely. It may be too late to advocate the introduction in Kuweit, and elsewhere in the Persian Gulf, of agreements following closely the lines of the draft prospecting licences and mining leases given in the Indian Mining Rules. But we must realize that in agreeing to a concession in any particular terms now, we are in effect agreeing to the type of Mining Rules that should apply to Kuweit territory; and the absence of any such rules appears to necessitate that an agreement for the grant of mineral concessions in Kuweit territory should be self-contained with its own embodied mining rules, as in the case of Muscat and Bahrein. As I have said above, I strongly recommend scrapping the present draft agreement and the drafting of a new one following the general form of the Muscat and Bahrein agreements with such additions as seem necessary to make them conform more closely to the necessities of the case as judged by our experience in India.

* * * * * * * * *

17. Now with reference to the terms of the proposed concession agreement of which two forms are presented and of which it may be presumed that the Syndicate would prefer the second edition as it is of later date. The chief objections appear to me to be as follows :—

(*a*) The use of the term " conceded territories " appears to be open to the gravest objection, as the use of such a term would do more than anything to create an *imperium in imperio*. The form used in the earlier edition of the proposed agreement, namely, " Kuweit territory," appears to me hardly less objectionable. No necessity for any such term was discovered in the Muscat and Bahrein leases, where the term used is " leased area " in small letters, and it seems to me exceedingly undesirable to make use of any terminology, the mere existence of which would help to usurp and derogate from the authority of the Shaikh and give the impression locally that a new power has been created; consequently if this form of lease is to be retained, " conceded territory " should be replaced by " leased area " in lower case throughout.

(*b*) In Clause 1, paragraph 3, the right to select 640 square miles is granted, under what should be termed a mining lease. Whatever area be specified here, there should be an explicit statement that at the end of two years, the exclusive right to explore and search the territories of the Shaikh for natural gas, petroleum, &c., should cease outside this area, and that, in addition, this agreement is not at any time to operate to prevent prospecting by other persons for other minerals either within or without the leased area.

(*c*) With respect to the area, I agree that it is excessive, and that a reduction could be induced by charging an appropriate rent. In our mining leases we provide for rent charges for two purposes. Surface rent is charged only for land actually occupied for mining operations, buildings, &c., and depends upon the local rates of rent in force, and if rent is to be charged for the whole area of this concession, it should not be called surface rent, but minimum dead rent; there would then seem to be no reason why the rate so charged should be lower than the rates given in Schedule C of our mining rules, from which it will be seen that the minimum dead rent should be Rs. 1 per acre for the first 10 square miles, Rs. 2 per acre for the next 40 square miles, Rs. 5 per acre for the next 50 square miles and Rs. 10 per acre for the excess over 100 square miles. The footnote to the Schedule states that these minima are purposely fixed low, but they are liable to be largely exceeded, according to the value of the deposit and degree of development of the country. It will be agreed that as this is completely undeveloped country, the minimum rates cited above should not be enhanced in the present case. Thus on an area of 640 square miles the minimum dead rent would amount to Rs. 30,49,600, a sum which seems absurdly high, and would no doubt deter any company from attempting to acquire a concession over a completely unproved area. The meaning of this is, of course, that prospecting and mining periods are mixed up in one lease, as a result of which a much greater area is being sought for inclusion in this concession than would be finally held on mining lease, if a period were provided for prospecting, during which a fee not exceeding one rupee and not less than one anna per acre would be leviable under our rules. A fee of two annas per acre would amount to Rs. 51,200 annually over 640 square miles, and might be regarded as suitable if joined with a minimum royalty of Rs. 50,000 as recommended later.

(*d*) Clause 1, paragraph 5, prescribes a period of 70 years for the concession. This would be in addition to the 2 years provided for exploration. I suggest the reduction of this period to a figure conforming with our customs in India, namely, a maximum period of 30 years with a clause permitting renewal for a further period not exceeding 30 years, with provision for a revision at the time of the renewal of the rate of royalty. On this point I should mention that the Muscat and Bahrein agreements provide for revision of the royalty after 10 years. The omission of any such provision in the present lease appears indefensible. In addition, there should be provision for a prospecting period prior to the grant of this mining lease; and as we know prospecting licences for oil are apt to be extended for many years before mining leases are taken out.

(*e*) Clause 2 (*c*). The rights granted to the lessee for water should not be such as to interfere with the possibility of other prospectors subsequently searching for oil or searching for other minerals at any time. There is no easier way to block the work of other people than to obtain control of water resources.

(*f*) Clause 4. The Shaikh retains the right to grant permission to others besides the company to import oil and lay pipe-lines for these purposes. It is most important that this provision should be adhered to.

(*g*) Clause 5 appears to me to be thoroughly objectionable, as its retention in this form would preclude the exercise of the right of pre-emption for oil in time of war either by the Shaikh of Kuweit or the British Government. The rate of export customs duty on oil exported should, of course, be levied not on the value of the oil at well-head as provided, but on the value of the oil and its products as exported, especially if under Clause 6 the company is to have the right to import free of customs duty, the machinery, plant, and materials required to enable the value of the crude oil to be enhanced by refining. On whether 1 per cent. is a suitable rate I express no opinion.

(*h*) Clause 7. It has already been suggested that surface rent should be charged over the whole area of the concession. I have suggested above that instead a minimum dead rent should be charged over the whole area and in addition surface rent where ground is actually occupied.

(*i*) Clause 8 contains no provision for advice to the Shaikh concerning the terms of transfer. This clause should, I think, provide that the British company or companies to which the Eastern and General Syndicate, Limited, desire to transfer their rights should be approved by the Shaikh acting under the advice of the British Government. As the term " Canadian " is included in " British," I suggest that the words " or Canadian " should be deleted.

(*j*) Clause 14. This contains no provision that on the abandonment of any excavation pit or any well by the company, such excavation pit or well shall be properly fenced or enclosed.

(*k*) Clause 15. For the grant of such an enormous concession what amounts to a salaami of Rs. 30,000 appears to be a completely inadequate sum, and unless the maximum area to be leased is greatly reduced, I suggest that this figure should be enhanced to one lakh. In addition, a sum of Rs. 20,000 prescribed as an annual payment thereafter seems also completely inadequate. As this sum is subsequently to give way to royalty, it is evident that it represents a minimum royalty, that is, a minimum dead rent, which at the rates prescribed in our Indian rules would be, for 640 square miles, Rs. 30,49,600 as we have seen above. If the final area to be retained were, however, limited to 100 square miles, the minimum dead rent would be reduced to Rs. 1,93,600, and if the concession were split up into separate blocks and each assessed for dead rent and royalty separately, then the total minimum dead rent would be much smaller. Thus, on 5 blocks of 20 square miles each, the minimum dead rent would be Rs. $19,200 \times 5 =$ Rs. 96,000. It seems impossible, therefore, to recommend that this figure of Rs. 20,000 should be enhanced to less than 1 lakh even with a leased area restricted to 100 square miles. If, however, it were decided eventually to treat this concession in a different way from that prevailing in India and to exact a permanent dead rent to continue irrespective of payment of royalty, then I should suggest 2 annas an acre permanent dead rent over the whole concession, as suggested above in paragraph 17 (*c*), and a minimum royalty of Rs. 50,000 in addition.

(*l*) Clause 16. It is evident from this clause that the Rs. 20,000 which, I suggest, be increased to Rs. 50,000, is by way of being a minimum royalty.

(*m*) Clause 17. If the minimum royalty be left at Rs. 20,000, until the company declares that it has found oil in commercially exploitable quantities, which may be assumed to be in the opinion of the company the quantity of oil that should produce Rs. 70,000 as royalty at the rate prescribed, then as Rs. 20,000 corresponds to 5,714 tons and Rs. 70,000 corresponds to 20,000 tons, any quantity between these two figures in excess of 5,714 tons would escape paying royalty at all, until the company had declared its success in finding oil in commercially exploitable quantities. I may mention that the rate of royalty of Rs. 3/8/- per ton agrees with the royalty charged in India of annas 8 per barrel on the basis of $7 \times 40 = 280$ gallons to the ton. All that is necessary is to amalgamate Clauses 16 and 17 to the effect that the royalty is to be at Rs. 3/8/- per ton subject to a minimum royalty of Rs. 50,000.

(*n*) Clause 19 (*b*) contains no provision for the deposit of plans and information with the Shaikh on abandonment of the work. Also this clause would require radical modification if the lease be remodelled to conform to the Indian lease of 30 years with right of enhancement of rate of royalty on renewal for a further 30 years.

(*o*) Clause 21 does not suggest how the Shaikh's arbitrator is to be selected. I suggest that it should provide that the Shaikh in such a case should receive expert advice and that his arbitrator should be approved of by the Political Agent at Kuweit.

18. In addition to the points enumerated by me above as the result of perusing the lease consecutively, there are others of which by far the most important is the right of pre-emption in time of war concerning which I strongly urge that a clause be inserted.

19. In addition, a comparison of this projected agreement with our standard form of mining lease shows the following omissions :—

There is no clause analogous to Part III, Clause 4, of the standard form of mining lease : perhaps this can be omitted.

Part IV, Clause 2. Liberty to make railways and roads is not reserved.

Part VII, Clause 2. There is no reference to the demarcation of boundaries.

Part VII, Clause 6. There is no provision for inspection on behalf of the Shaikh.

Part VII, Clause 5. No provision exists for reporting accidents : there will be no expert body to whom such reports could be made; nevertheless good government requires that the Shaikh should know what happens in his territory.

Part VII, Clause 8. There is no provision to report to the Shaikh the discovery of other minerals.

Part VII, Clause 13. No provision for payment of compensation for injuries to third parties.

Part VII, Clause 14. No provision that the company shall not obstruct the working of other minerals; this might prove a serious omission if other prospectors discovered other minerals in the area leased for oil.

Part VII, Clause 18, which is the British control clause of Indian leases, is, of course, missing, as also Clause 20 of Part VII, granting right of pre-emption in time of war, and Clause 9 of Part IX, granting power to take possession in event of war or emergencies.

20. Apart from the numerous specific defects in the draft agreement between the Eastern and General Syndicate, Limited, and the Shaikh of Kuweit, my chief objection to this agreement is that it appears to be in a form that will not work. There is no provision for an adequate prospecting period and this appears to be the real reason why it is necessary to provide for the selection of so large an area as 640 square miles. If this agreement were to be remodelled on the lines of the Muscat and Bahrein agreements so as to provide for an exploration period of 2 years with a possibility of extension, and a prospecting period of 2 years also with the possibility of extension for the reasons

given in the Muscat and Bahrein leases, we should be providing the company with a longer period within which to select the tracts they require to take up on mining lease and the total area to be granted could then be much smaller. In addition, with the provision of a longer period for exploration and prospecting, the period of the Mining Lease could be reduced from 70 to 60 years, split up into 2 periods of 30 years, as already suggested, and if this is to be done, it will be seen that by far the simplest procedure, in view of all the objections, is to start with the material of the present Bahrein agreement and modify it so as to take account of the various points brought out.

* * * * * * * * *

IV. *Right of Pre-emption Clause.*

25. I note that the Anglo-Persian Oil Company are again in the field and may themselves be applicants for a concession. This would be welcomed; but if eventually a portion of Kuweit is granted to the Eastern and General Syndicate, Limited, in spite of their entanglement with an American Company, it will evidently prove impossible, in view of the Bahrein precedent, to include a British control paragraph. Nevertheless, this should not preclude the addition of clauses providing the right of pre-emption and possession in case of war. I noticed somewhere on the file the suggestion that if the company were registered as a British company, this would automatically render possible British control in case of war. Our previous experience in dealing with the Syndicate shows that anything not specifically included will be difficult to claim later and I suggest for consideration that though the Government is prepared to waive the British control clause, they should insist on the explicit inclusion in the concession of a clause providing right of pre-emption.

V. *Chief Local Representative.*

26. If a concession for a portion of Kuweit is eventually granted to the Eastern and General Syndicate, Limited, and transfer is permitted to American interests on conditions similar to those arranged in the case of the Bahrein lease, providing for a shadowy sort of British control with provision for a Chief Local Representative, I venture to suggest that Government should object to Major Frank Holmes being Chief Local Representative in Kuweit as well as in Bahrein. It has already been suggested in these papers that it is impossible for him to carry out satisfactorily his duties as Chief Local Representative at Bahrein if he spends a considerable portion of the year elsewhere. This provides sufficient reason for objecting to his holding the same post in Kuweit, and in the event of the Government adopting this point of view, I suggest that provision should be made for a Chief Local Representative who is a *persona grata* to the Government, as in the case of the British Director of the Bahrein Petroleum Company.

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C. 98026/32 [No. 45A].

No. 139.

ANGLO-PERSIAN OIL COMPANY, LIMITED, to COLONIAL OFFICE.

Britannic House, Finsbury Circus,
London, E.C.2, 3rd May, 1932.

SIR,

WITH reference to correspondence which has passed on this subject between this Company and the Colonial Office and the Petroleum Department of the Board of Trade, I have the honour to inform you that our geologists have recently been in Kuweit territory with the object of correlating the geological data available there with those obtained by us in certain areas in Persia in which we are interested. Having accomplished this specific task they have now been withdrawn and my Company is now considering the whole question in the light of the data thus obtained. Meanwhile, I have to place on record the fact that this Company is prepared at a convenient juncture to open formal negotiations with the Shaikh of Kuweit, and is at present considering on what basis this can most conveniently be done.

We have, &c.
(for Anglo-Persian Oil Company, Limited),
N. W. CLARK,
Secretary.

C. 98026/32 [No. 50].

No. 140.

THE SECRETARY OF STATE to THE ACTING POLITICAL RESIDENT.

(Sent 12 noon, 9th May, 1932.)

TELEGRAM.

No. 3. CONFIDENTIAL. Kuweit oil. Reference copy of note of 9th April* from Foreign Office to American Chargé d'Affaires sent to you from India Office by air mail of 22nd April. You should explain to the Shaikh that as regards the application of the Eastern and General Syndicate His Majesty's Government for their part do not insist upon confining the concession to a purely British concern and that he is at liberty to dispense with this condition or not as he feels best. His Majesty's Government do not wish to influence him one way or the other on this point and you should be careful to avoid any appearance of desire to influence his choice. You will see, however, that it has been made clear to the American Embassy that His Majesty's Government's decision does not imply agreement in the immediate grant of the proposed concession to the Syndicate. His Majesty's Government do not consider that they could properly advise Shaikh to give prior or preferential treatment to Syndicate, but hold it to be necessary that any application for a concession from any quarter be examined with a view to deciding which, if any, will best serve interests of Shaikh. Draft concession submitted by Syndicate would in any case need considerable revision both in respect of provisos designed to safeguard interests of His Majesty's Government and on many points affecting interests of Shaikh.

Anglo-Persian Oil Company's geologists are being withdrawn from Kuweit, but this does not imply that Company have lost interest. Company state that they are prepared at convenient juncture to open negotiations with Shaikh and that they are at present considering on what basis this should be done.

Following for your own information at this stage. Safeguards on which His Majesty's Government will insist in case of this concession are (1) Company to be registered in British territory, (2) majority of employees and at least some of the directors, including, if possible, local managing director, to be British subjects, (3) at least 50 per cent. of oil obtained to be refined on British territory (which in this case must be regarded as covering Kuweit territory) and the plant to be capable of producing fuel oil suitable for Admiralty use, (4) right of pre-emption in case of emergency.—CUNLIFFE-LISTER.

C. 98026/32 [No. 51].

No. 141.

COLONIAL OFFICE to EASTERN AND GENERAL SYNDICATE, LIMITED.

[*Answered by No.* 143.]

SIR, Downing Street, 10th May, 1932.

I AM directed by Secretary Sir Philip Cunliffe-Lister to refer to the letter from this Department of the 25th November, 1931,† regarding the application of the Eastern and General Syndicate, Limited, for an oil concession in Kuweit, and to inform you that this question has now received the careful consideration of His Majesty's Government.

2. I am to refer, in the first place, to the letter which the Shaikh of Kuweit sent to Major Frank Holmes on the 2nd July, 1931, a copy of which was enclosed in your letter of the 4th August, 1931,‡ and which you interpret to mean that the Shaikh is willing to omit the British control clause from any concession which he may be prepared to grant to your Company, provided that His Majesty's Government are also willing to agree to its omission. Feeling some doubt as to the correctness of this interpretation of the Shaikh's attitude, since the Shaikh has consistently expressed himself emphatically to the local British authority as desirous of confining any oil concession to entirely British interests, His Majesty's Government caused inquiry to be made of the Shaikh, who replied that he was still averse from receiving in his principality a company other than an entirely British one and that he did not consider himself as in any way committed by his letter to Major Holmes to grant to the Eastern and General Syndicate the

* Enclosure in No. 137. † C. 89178/31 [No. 60]: not printed.

‡ No. 107 in Middle East No. 32.

concession which they seek. It will be observed from a reference to the Shaikh's letter that its last sentence only expresses a readiness to discuss the matter further with Major Holmes after agreement has been reached between the Syndicate and His Majesty's Government.

3. His Majesty's Government have now considered the question in all its bearings and have decided that, for their part, they will not insist in this case that any concession must contain a clause confining it to British interests. Whether the Shaikh for his part is willing to grant a concession without such a condition is therefore now a matter entirely for the Shaikh's decision. It should, nevertheless, be made clear that this decision of His Majesty's Government does not imply agreement in the immediate grant of the concession to the Eastern and General Syndicate, to which the Shaikh, as stated above, considers himself in no way committed. His Majesty's Government indeed do not consider that they could properly advise the Shaikh to give prior or preferential treatment to the Eastern and General Syndicate, but hold it to be necessary that any application for a concession which may be forthcoming from any quarter be examined with a view to deciding which, if any, will best serve the interests of the Shaikh and his principality.

4. The draft concession which you have already submitted would in any case need considerable revision, (*a*) in respect of the provisos designed to safeguard the interests of His Majesty's Government which will need considerable amendment on several important points, and (*b*) in respect of any points affecting the interests of the Shaikh.

5. If, therefore, the Eastern and General Syndicate desire to renew their application to the Shaikh for a concession, His Majesty's Government will raise no objection to the application being taken into consideration together with any other applications for oil concessions which may be forthcoming from other quarters.

I am, &c.,
O. G R. WILLIAMS.

C. 98026/32 [No. 64].

No 142.

THE POLITICAL RESIDENT to THE SECRETARY OF STATE.

(Received 30th May, 1932.)

(Confidential.)
(No. 17.) British Residency and Consulate-General,
SIR, Bushire, 10th May, 1932.

I HAVE the honour to forward herewith for the information of His Majesty's Government a copy of a letter received from the Political Agent, Kuweit, reporting that Major Holmes has recently arrived there and has had discussions regarding the oil concession both with the Shaikh and Colonel Dickson. Colonel Dickson's despatch is of interest as showing the devious methods employed by Major Holmes, and it is evident from the facts reported in paragraph 5 of the Political Agent's letter that he is endeavouring to allay the apprehension of the Shaikh regarding the admission of American interests into his Principality.

2. I have now just received your telegram No. 3 of the 9th May* and am addressing a letter to the Shaikh as therein instructed.

I am sending a copy of this despatch to the Government of India.

I have, &c.,
H. V. BISCOE,
Lieutenant-Colonel,
Political Resident in the Persian Gulf.

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* No. 140.

Enclosure in No. 142.

(Secret.)
(No. 61.)

SIR, Political Agency, Kuweit, dated the 1st May, 1932.

IN continuation of my Confidential despatch No. 53 dated 15th April, 1932, and paragraph 8. I have the honour to inform you that Major Frank Holmes arrived from Bahrein on the 27th April (see also my D.O. No. 60 dated 24th April, 1932) and dined with His Excellency the same evening.

2. Major Holmes called on me on the following day, the 28th April. and I returned his call on the 29th April.

3. At this second meeting, I found Major Holmes in a cheerful and talkative mood. After discussing certain topics of general interest, which included a rather unnecessary set speech in praise of Mr. Mellon, the American Ambassador, who was described as the most popular man in England to-day, he made a gratuitous attack on yourself and Political Officers in general, whom he styled " out of date persons who think of nothing else but how to maintain their personal power over local potentates " (Major Holmes graciously excluded me from his remarks !).

4. After about twenty minutes of this sort of thing Major Holmes changed the subject and with an air of childish triumph called his confidential clerk, who produced a telegram (typed out and without date) which he (Major Holmes) said he had just received from the Eastern General Syndicate, London. The wording of the telegram was to the effect that the Company's American principals had been informed by the American State Department that the London Foreign Office had addressed them as follows on the subject of the Kuweit oil concession.

> " His Majesty's Government on their part are prepared to agree to the omission, from any oil concession which His Excellency the Shaikh of Kuweit may be prepared to grant, of a clause confining it to British interest, if therefore the Eastern General Syndicate, Limited, desire to renew their application to His Excellency the Shaikh of Kuweit for a concession, to be subsequently transferred to the Eastern Gulf Company (underlined portion, actual words as far as my memory serves me), His Majesty's Government will raise no objection to the application being taken into consideration, together with any other application for an oil concession which may be forthcoming from other quarters."

5. Major Holmes then handed me an official letter (in duplicate) addressed to myself, the original of which I am forwarding as an enclosure to this. The letter speaks for itself, though you will doubtless observe that there are two important omissions

(*a*) *Firstly*, Major Holmes makes no mention of the Eastern General Syndicate, Limited, having received their so-called extract of Foreign Office letter, from America, but on the contrary he states that His Majesty's Government have been in direct communication with the Eastern and General Syndicate and have supplied the extract quoted, direct to them.

(*b*) *Secondly*, he has been careful to omit the words underlined by me in the original telegram.

Both these omissions to my mind are significant, as without them the letter appears fairly straightforward, and if shown to the Shaikh, as it undoubtedly must have been by now, will convey the impression that His Majesty's Government has come to an agreement with the Eastern General Syndicate, and will no longer insist on the British Nationality clause. This in itself can be counted not to alarm the Shaikh, as any mention of the news having come from America (*a*, above), or that any concession granted could subsequently be transferred to an American concern pure and simple (*b*, above), would certainly be calculated to do.

6. The clever part of Major Holmes's letter to me, which I repeat he must have already shown to the Shaikh, lies in the fact that the Shaikh must now think that Holmes and his backers are more powerful than he ever gave them credit for, and that they have forced His Majesty's Government to go back on their original decision to insist on the Nationality clause. This I submit will not only shake the Shaikh's faith in us badly, but knowing him as I do will certainly set him wondering whether he can really count on that assistance from His Majesty's Government, which he hopes and expects to get in other important matters such as the " Date Gardens " and " blockade " questions

7. That Major Holmes believes that he has triumphed was very evident from his subsequent conversation for, he talked about the " wonderful victory " that his

company had now won and quite openly described the Foreign Office's letter as " *the most abject climb down that it had been his fortune to see*," and admitted that he never thought " they would surrender like this." " What *did* astonish him;" he added, " was the way the Admiralty had raised no objection."

8. On the other hand Major Holmes seemed annoyed (if indeed he was not acting a part) at the inclusion by his Company in the telegram that was sent him, of the words " To be subsequently transferred to the Eastern Gulf Company." He declared that he did not appprove of such wording at all, nor would he tell the Shaikh or ask him to agree to the insertion of any such or similar clause in any agreement entered into by him, as that would be going against all the promises made by himself to the Shaikh, which were to the effect that though the money might be found in America, the Company, to work the concession would be a British one and would refer to the British Government only, and to no other in the event of any difficulties or disagreement arising between it and the Shaikh.

9. This curious attitude of Major Holmes struck me as very strange, especially when he turned round and begged me not to divulge the underlined portion of his telegram, or what he had said about it to me. It is possible of course that we have here the beginnings of a breach between Major Holmes and his principals, but I am inclined to think that he was trying to pose as the champion of the Shaikh's interests and so get me on his side.

10. During our subsequent talk Major Holmes touched on the " famous " Arabic letter which he had got out of the Shaikh during my absence in England last year. He appeared to think that he had done a very " smart " thing, and admitted that he had only waited till I went, to bring off his " coup." " I know," he said, " that I could get past Dr. Greenway, a good but simple sort of fellow." When I suggested that to decent people his conduct on that occasion savouring distinctly of the " shady," he denied that this view could be taken by any sensible person.

11. Having given you the substance of my talk with Major Holmes, I would ask that I be favoured with very early orders, as to how I should reply to his letter to me. Major Holmes is aware that I am referring the matter to you and you can rest assured that he has already given the Shaikh a translation of his telegram from the Eastern General Syndicate, omitting those portions mentioned in paragraph 5 above as well as a copy of his letter to me.

12. If it is an actual fact that His Majesty's Government have also told Major Holmes' Company, the Eastern General Syndicate, Limited, that they can go ahead now without a British Nationality clause, the only course would appear to be to tell the truth to the Shaikh and to allow Major Holmes to reopen negotiations for his oil agreement. Both parties, however, should be informed officially, and for preference by you direct I think, that His Majesty's Government still reserve the right to examine and approve of the actual terms of any agreement come to before it is signed by either party. In this way only can we insure that the Shaikh gets a fair deal, does not sign away his birthright and that our interests are safeguarded

13. I am sending you four copies of this despatch.

I have, &c.,
H. R. P. DICKSON,
Lieutenant-Colonel,
Political Agent, Kuweit.

To the Honourable the Political Resident in the Persian Gulf, Bushire.

DEAR SIR, Kuweit, 29th April, 1932.

I HAVE been instructed by my London Office to renew on behalf of the Eastern and General Syndicate, Limited, the application to His Excellency Shaikh Sir Ahmad Aljabir Al-Subah, K.C.I.E., C.S.I., Ruler of Kuweit, for an oil concession within His Excellency's territory.

Further I have been informed that His Britannic Majesty's Government have written to my principals as follows:—

"His Britannic Majesty's Government on their part are prepared to agree to the omission of from any oil concession which His Excellency the Shaikh of Kuweit may be prepared to grant, of a clause confining it to British interest, if therefore the Eastern and General Syndicate, Limited, desire to renew their application to His Excellency the Shaikh of Kuweit for a concession, His Majesty's Government will raise no objection to the application being taken into consideration together with any other application for an oil concession which may be forthcoming from other quarters."

I take it that His Britannic Majesty's Government have informed the Honourable the Political Resident in the Persian Gulf of its decision to agree to the omission of this clause, I wish to renew my Company's application without delay, and would be pleased if you would kindly inform His Excellency Shaikh Sir Ahmad Aljabir Al-Subah, K.C.I.E., C.S.I., officially by letter, that His Britannic Majesty's Government has agreed to the omission of the clause confining it to British interest and has no objection to the Eastern and General Syndicate, Limited, renewing its application for an oil concession.

Trusting to receive an early reply.

I remain, &c.
FRANK HOLMES
(for and on behalf of The Eastern and General Syndicate, Limited).

To His Britannic Majesty's Political Agent, Kuweit.

C. 98026/32 [No. 71].

No. 143.

EASTERN AND GENERAL SYNDICATE, LIMITED, to COLONIAL OFFICE.

[*Answered by No.* 145.]

19, St. Swithin's Lane,
London, E.C.4, 10th June, 1932.

SIR,

WITH reference to your letter of 10th May, 1932,* I am instructed by my Directors to inform you that on the 26th May, 1932, Major Frank Holmes, our Eastern representative, renewed the application of this Syndicate to the Shaikh of Kuwait for an oil concession. Two copies of the draft concession that was submitted to the Shaikh on the aforementioned date were on the same day furnished by Major Holmes to the Political Agent in Kuwait.

A photostatic copy of the draft concession† submitted to the Shaikh on the 26th ultimo is herewith enclosed, and I am instructed to request that you kindly inform us whether, after further consideration by you, the conditions contained in Clause 8 thereof may be considered satisfactory from the point of view of safeguarding the interests of His Majesty's Government, and, if not, that you please state wherein the said conditions fail to do so. In respect of the conditions in question, I am instructed to mention that they are similar to those incorporated by you in the Assignment of the Bahrein Concession with the specific object of safeguarding the interests of His Majesty's Government.

My Directors desire me to express the hope that your reply to this letter will be received at an early date.

I am, &c.
(for Eastern and General Syndicate, Limited),
H. T. ADAMS,
Secretary.

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* No. 141. † Not reproduced.

C. 98026/32 [No. 73].

No 144.

THE POLITICAL RESIDENT to THE SECRETARY OF STATE.

(Received 15th June, 1932.)

(Confidential.)
(No. 20.)

British Residency and Consulate-General,
Bushire, 7th June, 1932.

SIR,

I HAVE the honour to forward herewith a copy of a draft oil concession submitted to His Excellency the Shaikh of Kuwait by Major Frank Holmes on behalf of the Eastern and General Syndicate. I have only just received it and have no time to comment on it by this mail, but will do so by the next.

I am sending a copy of this letter to the Government of India.

I have, &c.,
H. V. BISCOE,
Lieutenant-Colonel,
Political Resident in the Persian Gulf.

Enclosure in No. 144.

IN THE NAME OF GOD THE MERCIFUL.

THIS AGREEMENT made the day of , 1932, corresponding to day of , 135, at Kuwait between His Excellency Shaikh Sir Ahmad Al Jabir Al-Subah, K.C.I.E., C.S.I., Ruler of Kuwait in Arabia (hereinafter called THE SHAIKH, which expression where the context so admits shall include His Heirs, Successors, Assigns and Subjects) of the First Part, and Frank Holmes, of 18, St. Swithin's Lane, E.C.4, London, England, the true and lawful Attorney of the Eastern and General Syndicate, Limited, whose registered Office is at 19, St. Swithin's Lane, E.C.4, London, England (hereinafter called THE COMPANY, which expression where the context so admits includes its Assigns and Successors) of the Other Part.

WHEREAS THE SHAIKH is desirous of developing the oil and petroleum resources of His Territory, he has for that purpose, agreed to grant unto THE COMPANY the concession hereinafter contained.

(1) In consideration of the rights, covenants, and royalties hereinafter reserved and contained, THE SHAIKH in exercise of his powers, as Ruler and Sovereign of his Dominions for himself, Heirs, Assigns, Successors, and Subjects, hereby grants unto THE COMPANY exclusively:

The exclusive right whereby THE COMPANY shall be entitled throughout the whole of the territories of THE SHAIKH to explore and search the surface of such territories for natural gas, petroleum and all products of oil. THE SHAIKH grants free access to all the Agents, Successors, and Servants of THE COMPANY necessarily employed by the latter to all parts of the Kuwait territory under the control of THE SHAIKH, saving only sacred buildings, shrines, graveyards and the area within the present existing town wall of Kuwait.

THE SHAIKH grants unto THE COMPANY the right, for a period of five (5) calendar years to count from the date hereof, to select from the whole of the Kuwait territories under the control of THE SHAIKH, saving only sacred buildings, shrines, graveyards and area within the present existing town wall of Kuwait, an aggregate area not exceeding Sixteen hundred and forty (1,640) square miles, divided and located as THE COMPANY may decide, into six (6) or more blocks, which blocks selected by THE COMPANY shall be hereinafter called the "CONCEDED TERRITORY," and THE SHAIKH hereby grants the following rights and privileges as stated herein, together with the easements and rights and privileges over the Kuwait territory to be exercised in connexion with the rights and operations of THE COMPANY in the said CONCEDED TERRITORY, including surface rights over Kuwait territory necessary for the buildings, camps, storage facilities for water and oil, pipelines, water and steam lines, roads, railways, telegraph and telephone lines and other ways of communication. In the event that THE COMPANY might desire to occupy lands covered by village areas, gardens or private water wells included within the CONCEDED TERRITORY, then THE COMPANY shall not be permitted to enter into possession thereof without first making arrangements to do so with THE SHAIKH and through THE SHAIKH with the owners.

Within the above-mentioned period of (5) five calendar years THE COMPANY will advise THE SHAIKH of the CONCEDED TERRITORY which THE COMPANY may select under this clause, by delivering to THE SHAIKH for attachment to his copy of this Agreement a signed map showing in detail the boundaries of the said CONCEDED TERRITORY.

The term for which this Concession covering the CONCEDED TERRITORY is granted unto THE COMPANY is of (70) seventy calendar years from the date of the execution of these presents, THE COMPANY yielding and paying therefore the fees, payments, royalties, privileges, and rights to THE SHAIKH and subject to the provisions hereinafter enumerated.

If THE COMPANY unless prevented by The Act of God or from war, fire, flood, or lightning or some other thing beyond human control, shall not have commenced its exploratory work of the Kuwait territory through examination and investigations by geologists and engineers within a period of (9) nine calendar months from the date hereof, then the provisions of these presents shall lapse and this Deed shall be null and void and neither party shall have any claim against the other in consequence thereof and no money already paid to THE SHAIKH shall be returnable.

(2) THE SHAIKH hereby grants to THE COMPANY, during the term of this Concession, the exclusive right to explore the CONCEDED TERRITORY for petroleum, natural gas, asphalte, azokerite, oil and its products and grants to THE COMPANY the exclusive ownership of all said substances won from the CONCEDED TERRITORY, with the exclusive right to search for, own, exploit, develop, carry away, export and sell said substances so won from the CONCEDED TERRITORY, and for that purpose, and in connexion therewith, exercise in, over and upon the said lands any or all of the following things :—

(*a*) To drill, sink, make, erect, set, and construct wells and pits, waterways, pipelines, engines, machinery, furnaces, brick-kilns, cement ovens, workmen's cottages, construct railways, bridges, tramways, and other ways of communication, canals, wharves, dams, erections, and other works, to build dwelling houses for THE COMPANY'S agents and workmen and set up stations thereto, to install telephone and telegraph lines, and to do generally whatever THE COMPANY may deem expedient for the proper exploitation of the CONCEDED TERRITORY provided that does not harm private and general interests.

(*b*) To exclusively erect oil refineries, oil and water tanks, outside the present existing town wall of Kuwait, wherever THE COMPANY shall deem suitable whether in proximity to discovered wells or otherwise, provided such action does not in any way harm the private and general interest.

(*c*) To have and use free for any purpose connected with the working of the said CONCEDED TERRITORY, stone, sand, cement, lime, and other construction materials, and any water within the territory of THE SHAIKH, make and construct water-courses, reservoirs, and ponds for collecting such water, provided no harm to the general public or individuals is apparent.

THE COMPANY shall in peace time throughout the period of THE CONCESSION, accept and transmit, on its telegraph lines, THE SHAIKH'S GOVERNMENT'S telegrams whether in cypher or in clear and likewise allow him the use of its telephone lines, and also THE SHAIKH may use the railways, on special personal services throughout the period of THE CONCESSION during peace time, and have the full use thereof when his country is at war.

(3) The ports and buildings which THE COMPANY require shall be erected outside the present existing town wall of Kuwait, THE COMPANY shall have the right within or without the CONCEDED TERRITORY to construct oil refineries and appurtenances thereof and develop the harbours along the coast of Kuwait territory and to erect and construct wharves, cranes, employ dredgers, lay down buoys and erect lighthouses and do whatever may be necessary to make the harbours safe for the navigation of ships and barges, the loading and unloading of oil and its products, machinery and other goods belonging to or sent to THE COMPANY, THE SHAIKH granting free of all charges to THE COMPANY, the necessary and proper surface rights in connexion with such harbours. The Customs Administration of the ports developed by THE COMPANY shall be under THE SHAIKH'S local Customs Officials and THE COMPANY undertakes to erect a conveniently large building for Customs House at each such point and a suitable residence for THE SHAIKH'S Official Representative. Should it be necessary also to maintain a guard for the protection of THE COMPANY'S works (wells, &c.) inland or along the pipelines or other communications to the sea, THE COMPANY shall build suitable buildings for such guards at its own expense.

THE SHAIKH'S flag and no other shall be used within the CONCEDED TERRITORY.

(4) THE COMPANY shall be free to construct, operate, and maintain in the Kuwait territory and across same, roads, tramways, railroads, and other ways of communication and telegraph and telephone lines and one or more pipelines for the purpose of carrying oil, gas, and kindred substances (whether produced from the Kuwait territory or elsewhere), also water and steam connecting THE COMPANY'S oil fields and works with each other and with the harbour or harbours which THE COMPANY may establish or develop on the coast of Kuwait, and shall have the right to establish and maintain one or more coaling or oil stations along the coast of Kuwait, the use of such facilities being vested entirely in THE COMPANY. THE SHAIKH retains the right to grant permission to others besides THE COMPANY to import oil and coal and lay pipelines for these purposes.

(5) THE COMPANY shall be free and at liberty to export, sell, and dispose to any place or people or country it may wish to and in any manner it may desire all the oil and its products, won from the CONCEDED TERRITORY and/or handled through its pipelines and harbour facilities, and THE SHAIKH and those acting under him shall not interfere with the internal management of THE COMPANY, but THE SHAIKH shall have the right to keep a general eye over the doings of THE COMPANY. And he shall have the right to levy, and THE COMPANY undertake to pay him, a Custom Duty of (1 per cent.) one per cent. on all the oil and its products, produced by it hereunder from the Kuwait territory, which THE COMPANY may export. In calculating such one per cent. (1 per cent.) on the oil exported, the value of the oil at the wells producing same shall be used.

(6) THE COMPANY shall have the right to import oil, machinery, equipment, plant, timber, utensils, iron work, building materials, and everything belonging to or consigned to it, including medicines and food supplies for the use of THE COMPANY and its employees but not for resale to others, free of Customs or Import duty and taxes or other charges, but it shall pay on all personal goods, clothing and general merchandize imported by THE COMPANY for the personal use of its employees, the ordinary duty in vogue in the Kuwait territory computed on the value shown in original invoices plus expenses.

(7) Saving as herein provided, THE COMPANY shall be exempt and free during the period of this Concession, from all harbour duties, taxes, imposts, and charges of any kind, tolls and land surface rent of whatever nature, it being understood that THE COMPANY has no right to lease any building to any but its employees and agents. Should ships other than those engaged and used solely for THE COMPANY'S business hereunder, either bringing or taking away, make use of the harbours, THE SHAIKH has the right to collect the usual harbour dues and taxes from such ships and not from THE COMPANY, it being understood that the wharves and appurtenances erected by THE COMPANY are solely vested in THE COMPANY during the period of the Concession hereby granted and can only, during such period, be used by ships on other than THE COMPANY'S business with the written permission of THE COMPANY.

(8) The ownership of this Concession may be transferred to, or the right sold to, another company, and THE SHAIKH undertakes to sanction such transfer when so requested, PROVIDED always that the rights, privileges and interests accruing hereunder to THE SHAIKH shall not thereby be lessened, and PROVIDED FURTHER :

(*a*) That the assignee company shall be one organized and registered either in Great Britain or organized and registered in Canada and shall maintain an office in Great Britain which shall at all times be in charge of a British subject who shall be the recognized channel of communication between the assignee company and His British Majesty's Government in the United Kingdom of Great Britain and Northern Ireland.

(*b*) That of the five directors of the assignee company one director shall at all times be a British subject who shall be *persona grata* to His British Majesty's Government. His selection for appointment as director shall be made in consultation with His British Majesty's Government, and his salary as director shall be provided by the assignee company. It is understood that a reasonable time shall be allowed for the replacement of the British director in the event of this post falling vacant.

(*c*) That the assignee company shall at all times maintain in the region of the Persian Gulf an official to be called the "CHIEF LOCAL REPRESENTATIVE" of the assignee company whose appointment shall be approved by His British Majesty's Government in the United Kingdom of Great Britain and Northern Ireland and who shall be the sole representative of the company empowered to deal direct with the local authorities and population in Kuwait. All communication which that official may desire on behalf of the assignee company to address to THE SHAIKH of Kuwait shall be through the British Political Agent in Kuwait. For the

first five years after the assignee company starts to operate in Kuwait or for such lesser period as the assignee company may operate in that territory, their Chief Local Representative shall be Major Frank Holmes, provided the arrangement between THE COMPANY and Major Frank Holmes continues to be mutually satisfactory to them during such five years, or such lesser period above mentioned, provided also that any sooner determination of the appointment of Major Frank Holmes shall be subject to the consent of His British Majesty's Government, which shall not be unreasonably withheld. It is understood that a reasonable time shall be allowed for the replacement of the Chief Local Representative in the event of this post falling vacant.

(*d*) That as many of the employees of the assignee company in Kuwait as is consistent with the efficient carrying on of the undertaking shall at all times be British subjects or subjects of the Shaikh of Kuwait.

And if by any other ways or means the Concession is transferred or sold to a THIRD PARTY, this Concession will then become null and void, and THE COMPANY shall leave all the immovable property and wells intact and they will be the property of the Shaikh.

(9) THE COMPANY'S representatives in Kuwait territory shall be immune from local interference except with the leave of THE COMPANY and (in matters concerning themselves but not where the subjects of THE SHAIKH are concerned) shall be responsible for their conduct to THE COMPANY'S Board of Directors.

(10) If after commencing its operations in the CONCEDED TERRITORY, THE COMPANY for any reason other than the Act of God, or war, fire, flood, or lightning or some other thing beyond human control, should discontinue the same for a continuous period of two calendar years (2 years) THE SHAIKH shall have the right to cancel the AGREEMENT and no responsibility shall attach to either party.

(11) THE COMPANY or its employees shall not interfere in any manner or way with the politics of THE SHAIKH'S dominions or with his subjects.

(12) THE COMPANY shall employ only native labour (*i.e.*, countrymen) under the supervision of THE COMPANY'S European or other appointed officials and THE SHAIKH agrees to assist with the help of his Amirs and other local Agents to procure and provide THE COMPANY such native labour as THE COMPANY may require, and THE COMPANY on its part undertakes to make the fullest use of the local unskilled labour, in its judgment capable of performing the work, to the extent of the suitable supply for its requirement; but THE COMPANY has the right to import unskilled labour should the local supply prove insufficient or unsuitable to the extent of its requirements and THE COMPANY has the right at all times to import skilled workmen of every kind—all subject to paragraph (*d*) of Article 8 above.

(13) THE COMPANY shall pay to the native workmen it employs a fair wage, such wage to be decided and stated by THE COMPANY'S representative at the time the workman is engaged. THE COMPANY shall provide where possible medical attention and medicines free of charge, to its native workmen during the time they are in the employ of THE COMPANY.

(14) THE SHAIKH shall always afford the officials and employees of THE COMPANY every facility, assistance, and protection in carrying out their plans and projects as far as lies in his power, and shall allow them to excavate, dig, quarry, or drill the soil in the CONCEDED TERRITORY (saving only sacred buildings, shrines, graveyards, and the area within the present existing town wall of Kuwait, wherever they shall have reasonable prospects of discovering and winning petroleum or kindred products, and THE COMPANY by its officials shall be at liberty to abandon any excavation, pit, or well wherever and whenever they shall deem it expedient to do, provided always that nothing in this Article shall be presumed to give THE COMPANY or its Assigns or Agents right of entry into, or on, to private properties without prior sanction of THE SHAIKH or his duly appointed representative.

(15) Within sixty days (60 days) from the signature of this Agreement, THE COMPANY in consideration of THE SHAIKH'S granting this Concession and the assistance to be afforded to their employees, shall pay to THE SHAIKH the sum of RUPEES THIRTY THOUSAND (Rs. 30,000) . But if the payment of this sum of RUPEES THIRTY THOUSAND (Rs. 30,000) is not made by THE COMPANY within 60 days specified, then this Agreement will become null and void.

And after first payment of RUPEES THIRTY THOUSAND (Rs. 30,000) as specified above in this Article on each anniversary of the date of the signature of this Agreement, THE COMPANY shall pay to THE SHAIKH the sum of RUPEES TWENTY THOUSAND (Rs. 20,000).

The yearly payment of RUPEES TWENTY THOUSAND shall continue without fail whether THE COMPANY is working or not, until THE COMPANY should declare that oil has been found on the CONCEDED TERRITORY in commercially exploitable quantities, in which event it is agreed that this yearly payment shall cease after the expiry of the then current year for which same has been paid.

(16) Should THE COMPANY succeed in finding oil in commercially exploitable quantities, it agrees to pay to THE SHAIKH in lieu of the annual payment of Rupees Twenty Thousand (Rs. 20,000) provided for in Article (15) a royalty of RUPEES THREE AND ANNAS EIGHT ONLY (Rs. 3/8/-) per English ton of net crude oil got and saved (*i.e.*, after deducting water and foreign substances, and oil required for the customary operations of THE COMPANY'S installations in THE SHAIKH'S territories).

(17) THE COMPANY hereby undertakes that the amount received by THE SHAIKH in respect of royalties shall not be less than RUPEES SEVENTY THOUSAND (Rs. 70,000) in any complete calendar year in which THE COMPANY continues work, such calendar year to begin at the end of the last day of the year for which the annual rental of RUPEES TWENTY THOUSAND (Rs. 20,000) has been paid, and it is only on the oil won after said day that THE SHAIKH'S royalty begins to accrue. In the event of THE SHAIKH, in consultation with the Political Resident in the Persian Gulf, disputing THE COMPANY'S decision as to the commercial exploitation, THE COMPANY hereby undertakes its readiness to submit the matter to arbitration as provided in Article (21) below.

(18) In the event of THE COMPANY failing within SIX CALENDAR MONTHS (6 months) following the end of any calendar year to pay to THE SHAIKH the royalties due in respect of that calendar year or failing, save for causes beyond its control, to carry out its obligations under this Agreement, THE SHAIKH shall have power to terminate the Concession, in which case the provisions of Article (19) (*b*) shall apply.

(19) THE COMPANY for itself, Successors and Assigns hereby covenants with THE SHAIKH in a manner following :—

(*a*) To pay the fees and payments required by this DEED at the time and in a manner appointed and also to observe the provisions herein contained.

(*b*) At the termination of the Concession whether by the expiration of its period of SEVENTY CALENDAR YEARS (70 years) stipulated, or before such expiration under Articles (10) or (18) of this AGREEMENT, but after the lapse of THIRTY-FIVE (35) calendar years from the date hereof, to deliver to THE SHAIKH all buildings and erections of brick, stone, or other materials whatsoever, the railways, telegraph and telephones, and other things standing and being on the Kuwait territory, and all pits, wells, mines, waterways, pipelines, refineries, oil and water tanks, and all such other works and other things belonging to any of the mines and wells, fixed machinery, plants, railways and their cabins and wagons, telegraph and telephone lines and port appurtenances belonging to THE COMPANY, and to leave the ports and harbours as they are, and to relinquish all rights vested in it under Article (7) of this AGREEMENT, leaving also buoys and barges, in fact, all things belonging to it which are on the KUWAIT TERRITORY : PROVIDED always that if this Concession shall terminate under Article (10) or (18) of these presents within a period of THIRTY-FIVE (35) calendar years from the date hereof, THE COMPANY shall have the right to remove from said KUWAIT TERRITORY any or all of its plant, machinery, tools, apparatus, and other things belonging to it above mentioned.

(20) THE COMPANY shall do or cause to be done nothing in the KUWAIT TERRITORY, which, unless expressly authorized by the provisions herein contained, shall be an infringement of or derogatory to the rights, privileges, and prerogatives inherent in THE SHAIKH as Ruler of the KUWAIT TERRITORY, and in case any such infringement shall inadvertently have been committed by any of THE COMPANY'S officials, upon due proof of such infringement being received by THE COMPANY'S local representative, THE COMPANY shall forthwith make such amends, as may seem fair and reasonable and suitable, and in case of dispute, the Local Judge may be asked to arbitrate and in case of further disagreement, it may be referred direct to THE SHAIKH for judgment.

(21) If at any time during or after the currency of this AGREEMENT any doubt, difference or dispute shall arise between THE SHAIKH and THE COMPANY concerning the interpretation or execution hereof, or anything herein contained, or in connexion herewith, or the rights and liabilities of either party hereunder, the same shall, failing any agreement to settle it in any other way, be referred to two arbitrators, each party choosing one of such arbitrators, and an Umpire who shall be the Political Resident in the Persian Gulf or a person nominated by him, before proceeding to arbitration. Each party shall nominate its arbitrator within THIRTY (30) DAYS after being requested

in writing by the other party to do so. The decision of the arbitrators, or in the case of a difference of opinion between them, the decision of the Umpire shall be final. The place of arbitration shall be such as may be agreed by the parties and in default of agreement shall be Basrah. If the question submitted to arbitration should involve the interpretation or execution hereof and the decision of the arbitrators is contrary to the contention of THE COMPANY, then THE COMPANY shall have a reasonable time thereafter within which to comply with such decision before it will be considered in default.

(22) THE COMPANY shall pay all monies that may become due to THE SHAIKH under this Agreement into his account with the Bank in The bank receipt for such money shall be a full discharge for THE COMPANY in regard to due payment.

(23) THE COMPANY reserves the right to surrender back at any time to THE SHAIKH this CONCESSION on the CONCEDED TERRITORY and thereby terminate all its rights, privileges, responsibilities, and obligations hereunder with respect thereto. In such event, the annual payment under Article (15) and minimum amount of royalty under Article (17) which THE COMPANY may then be paying to THE SHAIKH shall cease and terminate entirely. However, THE COMPANY shall make any payments then due hereunder for the then current year. Notice is writing shall be given to THE SHAIKH by THE COMPANY of its election to surrender as aforesaid and this CONCESSION and AGREEMENT shall be held as terminated as of the date of such notice. The provisions of Article (19) (*b*) shall apply in the event of such surrender

(24) In the event of any discrepancy between the meanings of the English and Arabic versions hereof, the English vesion shall prevail.

(25) This AGREEMENT, which comprises the preamble and TWENTY-FOUR (24) Articles other than this, is made and signed by the parties hereto in Original, Duplicate and Triplicate, the Duplicate being retained by HIS EXCELLENCY THE SHAIKH and both the Original and Triplicate by THE COMPANY.

This Agreement extends over pages, all of which are signed by the parties at foot

IN WITNESS WHEREOF the said parties here hereunder set their hands and sealed this day. month and year shown below their respective signatures and GOD IS GRACIOUS.

C. 98026/32 [No. 74].

No. 145.

COLONIAL OFFICE to EASTERN AND GENERAL SYNDICATE, LIMITED.

SIR, Downing Street, 17th June, 1932.

I AM directed by Secretary Sir Philip Cunliffe-Lister to acknowledge the receipt of your letter of the 10th June,* enclosing a photostatic copy of the draft oil concession which has been submitted to the Shaikh of Kuwait by the local representative of your Syndicate.

2. Since your letter was written, Mr. Janson has called at the Colonial Office in order to discuss the matter. The position in regard to a possible concession is set out in Colonial Office letter of the 10th May†; and it would not be convenient to attempt to dispose in advance of a particular clause or clauses. But the Secretary of State expects to receive very shortly a communication from the Political Resident in the Persian Gulf on the subject of the draft concession which your representative has submitted; and on receipt of this he hopes to be able to arrange for the matter to be considered in consultation with the other interested Departments of His Majesty's Government.

I am, &c.,
O. G. R. WILLIAMS.

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* No. 143. † No. 141.

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C. 98019/32 [No. 11].

No. 146.

LIEUTENANT-COLONEL H. V. BISCOE (POLITICAL RESIDENT)

to

MR. A. C. C. PARKINSON (COLONIAL OFFICE).

(Received 20th June, 1932.)

(Confidential.)

MY DEAR PARKINSON, The Residency, Bushire, 26th May, 1932.

WILL you please refer to the correspondence ending with your telegram No. 3 of the 9th May, 1932,* regarding the Kuwait oil.

I enclose for your information a copy of a private letter addressed by Sir A. Wilson to Dickson, in which you will see that he states that the Anglo-Persian Oil Company might be prepared to pay the Shaikh £2,000 cash down in return for an exclusive option to prospect and survey Kuwait territory for the next two years, or at any rate 18 months.

I returned from Basrah a few days ago via Kuwait in order to get an opportunity to discuss the oil question with the Shaikh and Dickson. I only had a couple of hours on shore and the discussion was rather hurried, but served a useful purpose. Dickson then showed me the letter he had received from Wilson, and told me that the Shaikh was not prepared to accept this offer, and I must say I think he is quite right. The dealings of the Anglo-Persian Oil Company with these Arab Principalities have in the past been unsatisfactory. In his despatch No. 16/205-S of 28th March, 1924,† the Political Resident reported that they were unpopular on the Arab coast and expressed the view that their principal object in seeking concessions was to prevent other companies from coming in, but that this was not fair to the Shaikhs and that they should be given a specific time within which to carry on negotiations, failing which other concession hunters would be given a chance. As a result of this they were informed in Colonial Office letter of 27th May, 1924,‡ that their claim to priority would be recognized up to the 31st March, 1925, and though they subsequently applied for a further extension this was refused them, *vide* Colonial Office letter of the 28th June, 1924.§ Since that time they have done nothing in particular on the Arab coast till last August when they asked permission to send their geologists to Kuwait. The Shaikh readily accorded all facilities and asked for no payment of any kind except out-of-pocket expenses for guards, &c. The geologists did some months' exploration in Kuwait, but last April were suddenly withdrawn, and I was informed by their General Manager out here that their Directors had decided that they did not wish to take any steps to acquire a concession at present, and a letter in this sense was also written to the Shaikh. Holmes at once gave it out that they had withdrawn their people as a result of pressure from his company. I do not suppose it is true, but it goes down with the Arabs. Now we get Wilson's letter in which again no request is made for a concession, and the Shaikh not unnaturally regards it simply as an attempt to ride off Holmes and Company, and I think he is probably right. Anyhow, a private letter from Wilson to Dickson hardly seems to me a particularly desirable manner of dealing with this question, or one which is calculated to inspire the Shaikh with confidence in the intentions of the Company. On the one hand we have Holmes, who presents the Shaikh with considerable cash presents, motor cars, wireless, &c., and definitely asks for a concession and is obviously anxious to obtain one, and, judging from Bahrein, to exploit it when he has got it, and on the other hand the Anglo-Persian Oil Company, who have for years past shilly-shallied and now first of all inform the Shaikh that they do not desire a concession and then in a very informal manner say that they will give him £2,000 for an exclusive option to prospect and survey, though no request is made for any formal concession. In these circumstances it seems pretty obvious that they do not mean business but are merely anxious to ride off their rivals. I have thought it as well to let you know of this démarche and I am convinced that unless the Anglo-Persian Oil Company come forward formally with a definite request for a concession and some sort of indication that if granted they will exploit it I do not think there is the least chance of the Shaikh agreeing to any proposals from them.

As regards the Eastern and General Syndicate, the Shaikh said that on the one hand he did not wish to get into the bad books of His Majesty's Government, but on

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* No. 140. † C. 18975/24: not printed. ‡ C. 22811/24: not printed.
§ C. 29139/24: not printed.

the other hand he did want money. Holmes, I understand, is preparing a revised draft concession and as soon as the Shaikh receives it he will send it to us to be vetted, and he assured me that any conditions that we put in he would certainly insist on, and he asked me to let him know definitely and clearly what we required.

Yours, &c.,
H. V. BISCOE.

Enclosure in No. 146.

SIR A. T. WILSON (ANGLO-PERSIAN OIL COMPANY, LIMITED) TO LIEUTENANT-COLONEL H. R. P. DICKSON (POLITICAL AGENT, KUWAIT).

(Personal.)
MY DEAR DICKSON, The Athenæum, Pall Mall, S.W.1, 29th April, 1932.

YOU will have been as disappointed to receive, as we were to send, a telegram a fortnight ago saying that we did not wish *at present* to negotiate for a concession in Kuwait, and that we were withdrawing our geologists. For tactical reasons which I need not detail, it was necessary to send this telegram and to withdraw our geologists, who would in any case have been compelled by the heat to leave within the month. The information that we were getting was of a nature that would greatly interest any of our competitors and we were not disposed to make them a present of it. I do not mean you to deduce from this statement that the views that we formed regarding the prospects of commercial oil in Kuwait were hopeful, but (unlike Major Frank Holmes) we have interests in Persia and in 'Iraq through the 'Iraq Petroleum Company, and the physical world being what it is geological conditions in Kuwait may throw light on conditions existing below the surface in neighbouring countries and *vice versa*, and we are at this moment engaged in putting down a deep test in the hills south of Bushire, and our observations at Kuwait have to be correlated with what we are getting in that well. Thus, looking at Kuwait, not merely from the local point of view of a possible small oilfield but as part of the geological problem of the countries at the head of the Persian Gulf, we are, or are likely to be, interested in the matter to the extent of not wishing entirely to abandon further research into the possibilities of Kuwait, though these are of necessity very speculative.

I have no idea as to whether Frank Holmes and his American backers are pushing the Shaikh hard, or whether he is disposed to grant them a concession. If, however, you think fit, you might inform the Shaikh verbally that you have reason to think that this Company might be prepared to pay the Shaikh £2,000 sterling cash down in return for an exclusive option to prospect and survey Kuwait territory for the next two years, or if the Shaikh thinks this too long, for the next eighteen months, *i.e.*, covering two cold weather seasons. This would give time for us to complete our deep well tests on the other side of the Gulf and to correlate the information that we have or may obtain at Kuwait with the work that is being done both in 'Iraq and in Persia. I do not think that the Company would be disposed to go higher than £2,000, nor to commit ourselves to any specific undertaking as to drilling, &c., and at the end of the period of this option, the Shaikh would of course be perfectly free to take whatever action he thought fit elsewhere.

Will you drop me a line to let me know whether the Shaikh is disposed to consider favourably some such arrangement. If so, I would be prepared to recommend strongly to the Chairman that we should take action on these lines.

I am only venturing to trouble you personally in the matter in view of our conversations last summer and of the fact that we have no representative at Kuwait whom we could entrust with the duty of making these preliminary inquiries.

With all good wishes.

Yours, &c.,
A. T. WILSON.

C. 98019/32 [No. 12].

No. 147.

LIEUTENANT-COLONEL H. V. BISCOE (POLITICAL RESIDENT)
to
MR. A. C. C. PARKINSON (COLONIAL OFFICE).

(Received 20th June, 1932.)

(Confidential.)
D.O. No. 346-S of 1932.
MY DEAR PARKINSON, The Residency, Bushire, 31st May, 1932.

WILL you please refer to my D.O. No. 332-S of the 26th May, 1932,* regarding the Kuwait oil.

I have since received a visit from Chisholm of the Anglo-Persian Oil Company, who had been instructed to discuss the matter first with me and then to proceed to Kuwait. He began by referring to Wilson's letter and I told him my views regarding it, with which I found that he was in general agreement, and he told me frankly that their office out here had never thought that a proposal of that nature was in the least likely to be accepted by the Shaikh. I said that I thought the Shaikh was not unnaturally very dubious about their intentions and that it was essential if they wished to regain his confidence to come forward with a much more definite proposal. I then went on to say that I really saw no reason why the Anglo-Persian Oil Company should not come forward with a definite request for a concession on the lines of the Bahrein Concession. This would in the first instance not involve them in any considerable expenditure or commit them to anything definite. They could ask for an exploration licence for two years, during which they would only have to pay the Shaikh about £1,000 a year and send some geologists round Kuwait. At the end of this period they could ask for a further extension as Holmes had done in Bahrein, and then they could take out a prospecting licence, which again would only involve putting up one rig—a very small matter for a company like the Anglo-Persian Oil Company. The dice were certainly loaded in their favour, since the Shaikh would prefer a British firm to an American if he is given anything like equal terms by them. If their object was to ride off competitors this seemed to me to be a pretty cheap and effective way of doing so, while, if on the other hand further exploration and prospecting at Kuwait produced oil, presumably they would have no objection to developing it. Chisholm agreed with what I said, and is, I understand, reporting in this sense. He has gone to Kuwait to see Dickson, but does not propose to see the Shaikh.

Yours, &c.,
H. V. BISCOE.

C. 98026/32 [No. 81].

No. 148.

THE POLITICAL RESIDENT TO THE SECRETARY OF STATE.

(Received 21st June, 1932.)

[*Answered by No.* 157.]

(No. 21.) British Residency and Consulate-General, Bushire,
SIR, 10th June, 1932.

I HAVE the honour to invite a reference to my despatch No. 20 of the 7th June,† with which I forwarded a draft of the concession presented by Major Frank Holmes to the Shaikh of Kuwait, and to submit herewith certain comments thereon.

2. This is the third concession that Major Holmes has submitted to the Shaikh since I have been here. The first was forwarded to you with my despatch No. 38 of the 17th September, 1930.‡ The second was sent with my demi-official letter No. 298-S of the 26th May, 1931,§ to Sir John Shuckburg as I was on the point of leaving for England. The general conditions of these three concessions are similar, and I would invite attention to the suggestions put forward in my despatch No. 42, dated the 6th October, 1930,‖ which with the exception of the reference to the nationality clause, apply equally to the present concession.

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* No. 146. † No. 144. ‡ No. 86 in Middle East No. 32.
§ No. 105 in Middle East No. 32. ‖ No. 88 in Middle East No. 32.

3. The chief distinction between the three concessions is in the area to be leased. In the first concession no specific area is mentioned and the reference throughout is to Kuwait territory: in the second the area is 640 square miles divided into as many blocks as the Company choose, while in the present concession the area is no less than 1,640 square miles.

4. The previous concession was very severely criticised by the Director of the Geological Survey of India from the technical point of view. I would venture to state that I entirely agree, from the political point of view, with his view that the expression "conceded territory" is open to the gravest objection, and with that expressed by the Government of India that anything suggesting an *imperium in imperio* should be avoided, and that it should be definitely laid down in the agreement that the Company's employees shall be subject to the administrative and legal authority of the Shaikh to the same extent as other foreigners resident in Kuwait territory.

5. The area of 1,640 square miles would certainly seem to be very excessive, but if the proposal made by the Director of the Geological Survey of India is accepted and a dead rent charged, it will presumably be very considerably reduced.

6. Doctor Fermor points out that Clause 5 would preclude the exercise of pre-emption in time of war, either by the Shaikh of Kuwait or the British Government. As it is proposed to insist on this right of pre-emption—*vide* your telegram No. 3, dated the 9th May, 1932*—I presume this necessary amendment will be made. In paragraph 26 of his note† the Director of the Geological Survey of India has further suggested that His Majesty's Government should object to Major Frank Holmes being Chief Local Representative in Kuwait as well as in Bahrein. I entirely agree with this view. The Company have apparently struck oil in Bahrein, and it is probable that they will in consequence in the near future considerably extend their operations and increase the number of their employees. If so, there will be many matters of detail arising for discussion between the Company and the Bahrein Government, and it is essential that the local Representative of the Company should be permanently located at Bahrein. At present Major Holmes only visits it periodically, and it is obvious that he cannot attend to the work in Bahrein if he also occupies a similar position at Kuwait. I may mention that I do not consider Major Holmes a particularly desirable person, and should be glad to see him replaced by some one else in Bahrein when occasion offers. In any case, however, he should not be the local Representative in Kuwait.

7. I would suggest that in view of the opinion expressed by the Director of the Geological Survey of India in paragraph 15 of his note an entirely fresh concession should be drafted embodying those of his suggestions which His Majesty's Government consider desirable to incorporate and also the safeguards, and that it should be discussed with the Syndicate in London on the understanding that it does not necessarily bind the Shaikh. I regard discussions out here as very unsatisfactory, as the Shaikh is a child in the hands of Major Holmes, while neither Colonel Dickson nor I possess any technical knowledge.

I am sending a copy of this despatch to the Government of India.

I have, &c.,
H. V. BISCOE,
Lieutenant-Colonel,
Political Resident in the Persian Gulf.

C. 98019/32 [No. 14].

No. 149.

LIEUTENANT-COLONEL H. V. BISCOE (POLITICAL RESIDENT)

to

MR. A. C. C. PARKINSON (COLONIAL OFFICE).

(Received 7th July, 1932.)

(Confidential.)
D.O. No. 432-S of 1932.

The Residency, Bushire, 28th June, 1932.

MY DEAR PARKINSON,

WILL you please refer to my demi-official letter No. 346-S of 31st May, 1932.‡ regarding the Kuwait oil.

* No. 140. † Sub-enclosure in No. 138. ‡ No. 147.

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I now enclose for your information a personal and confidential letter that I have received from Gass of the Anglo-Persian Oil Company, from which you will see that they now propose to ask for a formal concession. This is very satisfactory, and if you see no objection I would suggest that the Concession might be "vetted" at home before being sent out here.

Yours, &c.,
H. V. BISCOE.

Enclosure in No. 149.

MR. N. A. GASS (ANGLO-PERSIAN OIL COMPANY, LIMITED) TO LIEUTENANT-COLONEL H. V. BISCOE.

(Personal and Confidential.)

MY DEAR SIR HUGH, Abadan Refinery, Persian Gulf, 25th June, 1932.

I THANK you for your letter of the 22nd June which I have received this minute and hasten to send a reply to catch the outgoing mail to-day.

I am so sorry to learn that Colonel Dickson was mistaken and that you are not going home until the end of July, which will deny me the opportunity of meeting you at Shaiba in the early future.

Unfortunately I am finding it exceedingly difficult to get away just at the moment, but I do not think that the subject of Kuwait oil development requires immediate discussion with you, although I am very anxious to consult you before you go home and generally to place you fully *au fait* with our proposals regarding Kuwait.

The position at present, briefly, is this. I had two long interviews with the Shaikh, in which I was very soon able to realize that our precipitous departure from His Excellency's territory last April without having given him adequate reasons to account for our withdrawal, had created a very bad impression and led to a complete misunderstanding. I explained to His Excellency that it was due to a broad geological policy and that we now had a certain amount of geological information about Kuwait, but that it was information which in itself was inconclusive and we were anxious to correlate it with the information we were obtaining from actual drilling in Kuh-i-Mund and the unique geological information which we have accumulated over many years of the whole of the surrounding country. I added that this was the reason we had asked for a short extension of the period, to give us the opportunity to conclude our research, and I offered the Shaikh Rs. 20,000 per annum (and was quite prepared to exceed by a few more thousand rupees my discretion to go to this figure) if he was disposed to accept this offer.

His Excellency however declined the proposal and informed me that he desired a comprehensive concession to be submitted to him for his consideration and in order that he could compare the terms with those which had been offered by the Eastern and General Syndicate. Starting with a reception which I can only describe as most courteous but distinctly frigid, I hope I am right in believing that I left Kuwait with the impression that this atmosphere had at least been converted into one of great cordiality; His Excellency was kindness itself and so good as to express a message of friendliness to the Company to be communicated to Sir John Cadman.

Upon my return I reported the result of these discussions to London and have just received their cabled reply, which is to the effect that in deference to the Shaikh's wishes in this matter, Sir John Cadman has given immediate instructions for a comprehensive concession to be prepared and submitted to the Shaikh and for arrangements to be made to open negotiations personally with the Shaikh, in terms of the draft concession. I enclose a copy of the letter in which I have communicated this decision to His Excellency through Colonel Dickson.

At the conclusion of my interviews with the Shaikh I had explained to him that it would take some time to prepare a comprehensive concession and His Excellency replied that he appreciated this point and was quite prepared to leave the matter open for a reasonable period.

The document is being prepared and translated at home and I shall of course have to have the translation carefully checked here. We shall do everything possible not to keep His Excellency waiting, and I feel pretty confident that we shall have the document in his hands within two months and I do trust that this will meet with His Excellency's approval.

I shall not be able to get away myself, at any rate for the preliminary negotiations, but I intend to send Haji Williamson there, when he returns from the Gulf, to lease a

house and generally inaugurate the preliminary arrangements which are necessary. As soon as the concession reaches us I shall send Chisholm down to open negotiations and either to stay down there and conduct them, if it is a day to day affair, or, alternatively to fly backwards and forwards whenever required. I shall also pay flying trips to Kuwait if the necessity arises.

I shall be very greatly obliged if you will let me know if you approve of these arrangements generally and, needless to say, I shall be more than grateful for any advice you can give me as to the conduct of the negotiations.

With kind regards,

Yours, &c.,
N. A. GASS

P.S.—If, after reading this letter, you are of opinion that it is advisable to have a personal discussion, will you be so kind as to send me a telegram and I will do my best to fly down to Bushire.

N. A. GASS.

ANGLO-PERSIAN OIL COMPANY, LIMITED, TO HIS EXCELLENCY SHAIKH SIR AHMAD AL JABIR AS-SUBAH, K.C.I.E., C.S.I.

No. 72-C/7.

YOUR EXCELLENCY, 25th June, 1932.

WE have the honour to refer to our letter of the 15th June last and to inform Your Excellency that we have now received a telegram from our Chairman, Sir John Cadman, in which he directs us to express to Your Excellency the very deep sense of gratification it has given to him personally to receive Your Excellency's message.

In deference to Your Excellency's wishes, Sir John Cadman has given immediate instructions for an agreement embodying a comprehensive concession to explore, prospect and mine for oil within Your Excellency's territory to be prepared and submitted to Your Excellency for consideration. The preparation and translation of this document will necessarily take a short time but we desire to assure Your Excellency that it will be undertaken without delay and submitted as soon as possible.

Sir John Cadman has made, in his telegram, a particular reference to the grateful recollections he retains of the hospitality and courtesy he received from the Rulers and people of Kuwait during his visit to Kuwait 20 years ago and he expresses the earnest hope that the contact so happily inaugurated then, and continued since, may develop shortly into a still closer association between Your Excellency's State and this Company.

The cordial reception accorded to the undersigned by Your Excellency prompts us to add with what pleasure we shall look forward to continuing the discussions on lines which Your Excellency desired.

We have, &c.
(for Anglo-Persian Oil Company, Ltd.),
N. A. GASS,
Deputy General Manager.

C. 98026/32 [No. 82].

No. 150.

COLONIAL OFFICE to PETROLEUM DEPARTMENT.

SIR, Downing Street, 12th July, 1932.

I AM directed by Secretary Sir Philip Cunliffe-Lister to refer to the letter from this Department of the 17th of June,* on the subject of the Kuwait Oil Concession, and to transmit to you, to be laid before the Secretary for Mines, a copy of a further despatch† from the Political Resident in the Persian Gulf. This despatch contains certain comments on the draft concession which has recently been submitted by the Eastern and General Syndicate, Limited, and suggests that an entirely fresh draft should be prepared for discussion with the Syndicate in London.

2. Sir Philip Cunliffe-Lister agrees with the proposal of the Political Resident, and he suggests that the most satisfactory course would be for the new draft to be

* No. C. 98026/32 [No. 78] : not printed. † No. 148.

prepared in the first instance in the Petroleum Department. In the preparation of such a draft account would be taken of the observations and criticisms put forward by the Government of India and the Political Resident in the Persian Gulf and provision can be made for the desiderata of His Majesty's Government. The revised draft would form the basis for consideration and discussion with the other Departments concerned.

3. It is understood from semi-official conversations that the Petroleum Department are willing to undertake the preparation of a revised draft, and Sir Philip Cunliffe-Lister will be grateful if arrangements can be made for this to be done.

4. Copies of this letter, with the enclosure, are being sent to the India Office, Foreign Office, and the Admiralty.

I am, &c.,
H. F. DOWNIE.

C. 98019/32 [No. 15].

No. 151.

MR. K. W. BLAXTER (COLONIAL OFFICE)

to

MR. F. C. STARLING (PETROLEUM DEPARTMENT).

DEAR STARLING, Downing Street, 15th July, 1932.

I ENCLOSE herewith copies of the communications* from the Political Resident in the Persian Gulf about the activities of the Anglo-Persian Oil Company in connexion with Kuwait oil, from which you will see that the Company are said to be preparing a formal concession for submission to the Shaikh of Kuwait.

We agree with the suggestion made in Sir H. V. Biscoe's letter of the 28th of June that this concession should be " vetted " in London before it is sent out to Kuwait and we should be grateful if you could see your way to approaching the Company in this sense. It might be pointed out to them that this procedure would probably save time in the long run since the Shaikh would be bound to consult His Majesty's Government before finally accepting any proposals made to him by the Company.

I am sending copies of this letter, with the enclosures, to Rendel, Cunningham and Laithwaite.

Yours, &c.,
K. W. BLAXTER.

C. 98026/32 [No. 88].

No. 152.

MR. J. E. W. FLOOD (COLONIAL OFFICE)

to

MR. C. F. A. WARNER (FOREIGN OFFICE).

DEAR WARNER, Downing Street, 3rd August, 1932.

IN regard to the question of the Eastern and General Syndicate's application for an oil concession in Kuwait, we feel that it is necessary to have a further discussion on the subject as soon as may be convenient. Janson called at the Colonial Office recently and explained that his Company was very anxious to see some progress made, as pressure was being put upon them by the Americans.

The position at present is that on receipt of the late Sir H. Biscoe's despatch No. 21 of the 10th of June,† copies of which were enclosed in our official letter of the 14th of July,‡ the Petroleum Department was invited to prepare a new draft concession in

* Nos. 146, 147, and 148, and C. 98019/32 [No. 13] : not printed. † No. 148.
‡ C. 98026/32 [No. 83] : not printed.

view of the Resident's statement that discussions in Kuwait were unsatisfactory and in view of the objections raised by the Director of the Geological Survey in India. The Petroleum Department, however, are understood to be in favour of confining ourselves here to criticisms and observations and they do not consider it advisable to attempt to prepare a revised draft at this end. It appears to us now that if certain general conditions which would satisfy the objections raised in India and would satisfy Departments here could be laid down as essentials for incorporation in any concession, we could then inform both the Anglo-Persian Oil Company and the Eastern and General Syndicate what those conditions were and leave questions such as financial terms to be offered to the Shaikh for the decision of the two Companies, so that the Shaikh would be at liberty to choose whichever suited him best.

I see objections to confining ourselves to criticism because the Political Resident and his advisers have not got out there the necessary technical or legal advice, and in the case of the Bahrein concession—which, however, I do not regard as a good model—the concession was drafted in London. I suggest, therefore, that we should have a meeting at the Colonial Office on Friday the 5th of August, at 3 o'clock, in order to consider what procedure should be adopted. I am sending copies of this letter to Cunningham, Starling, and Laithwaite.

Yours, &c.,
J. E. W. FLOOD.

C. 98026/32 [No. 92].

No. 153.

ADMIRALTY to COLONIAL OFFICE.

Admiralty, S.W.1, 4th August, 1932.

SIR,

WITH reference to your letter of 14th July, 1932,* transmitting copy of a letter, with enclosures, to the Petroleum Department on the subject of the Kuwait Oil Concession, I am commanded by My Lords Commissioners of the Admiralty to offer the following observations for the consideration of the Secretary of State for the Colonies.

2. Although Major Holmes' latest draft concession is open to serious objection upon a number of points, My Lords consider that the proposal that the Petroleum Department should prepare a counterdraft for discussion with the Syndicate in London is tactically most undesirable.

3. The Anglo-Persian Oil Company is at last taking an interest in Kuwait and is now preparing a draft concession for consideration by His Majesty's Government and the Shaikh, and My Lords consider that it is in every way desirable that the Anglo-Persian Oil Company rather than the Eastern and General Syndicate, who will immediately turn it over to the Standard Oil Interests, should secure the concession.

4. If, however, the British Government itself prepares a draft concession and the Eastern and General Syndicate accepts it, it will obviously be quite impossible thereafter for His Majesty's Government to raise any objection to the terms of the concession or to convince the United States Embassy that it is open to any possible objection from the Shaikh's point of view—in fact, the Eastern and General Syndicate would be virtually assured of the concession no matter what terms the Anglo-Persian Oil Company might be prepared to offer.

5. If, on the other hand, the Anglo-Persian Oil Company draft is a reasonable one, it will be open to His Majesty's Government to advise the Shaikh to accept it and to inform Eastern and General Syndicate that their draft is acceptable neither to His Majesty's Government nor to the Shaikh. If pressed by the United States authorities it will evidently be possible to quote a number of points in Major Holmes' latest draft to which exception is taken.

6. Copies of this letter have been sent to India Office, Foreign Office, and Petroleum Department.

I am, &c.,
J. S. BARNES.

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* C. 98026/32 [No. 85]: not printed.

C. 98026/32 [No. 93].

No. 154.

NOTE OF A MEETING AT THE COLONIAL OFFICE ON 5TH AUGUST, 1932, TO DISCUSS THE PROCEDURE TO BE ADOPTED IN CONNEXION WITH THE APPLICATIONS OF THE EASTERN AND GENERAL SYNDICATE, LIMITED, AND THE ANGLO-PERSIAN OIL COMPANY FOR AN OIL CONCESSION IN KUWAIT.

Present:

Mr. J. E. W. Flood (in the Chair), Mr. S. I. James (Colonial Office).
Mr. C. W. Baxter, Mr. C. F. A. Warner (Foreign Office).
Mr. J. G. Laithwaite (India Office).
Mr. F. C. Starling (Petroleum Department).
Captain H. R. G. Moore (Admiralty).

MR. FLOOD explained that it was desired to arrive at some agreed conclusion as to the method of procedure to be adopted in connexion with the applications of the Eastern and General Syndicate and the Anglo-Persian Oil Company. As regards the former, a short draft concession had been submitted by the Syndicate. This draft was generally on the lines of those already submitted which had already been severely criticised by the Government of India and the Resident in the Persian Gulf. SIR HUGH BISCOE had suggested that an entirely new draft should be prepared in London for discussion with the Syndicate, and the Colonial Office had asked the Petroleum Department whether they would undertake the work. As regards the Anglo-Persian Oil Company, it was understood that the Company were preparing a draft concession for submission to the SHAIKH and SIR HUGH BISCOE had suggested that this draft should first be "vetted" in London.

MR. STARLING explained that apart from the fact that his Department was very short-handed at the moment they felt that it would not be good tactics to prepare a new draft for the Syndicate. If the Syndicate were presented with a draft which they were told would be acceptable to His Majesty's Government, they might possibly agree to its terms and we should find it difficult to keep the field open for a reasonable offer by the Anglo-Persian Oil Company. As regards the latter, MR. STARLING said that the draft concession was ready and had already gone out to the SHAIKH. He (MR. STARLING) had only been given an opportunity to glance at the draft and could, therefore, make no comments on it, except to record that the portions relating to cash payments had been left blank. The Anglo-Persian Oil Company had made it clear that they were not prepared to let His Majesty's Government examine the draft in detail until it had been submitted to the SHAIKH.

MR. FLOOD asked whether there would be any objection to producing for the benefit of both companies, a statement of the essential provisions which must be included in any concession granted by the SHAIKH. After some discussion it was decided that it would be better to await the SHAIKH's reactions to the proposals of the Anglo-Persian Oil Company.

MR. BAXTER said that from the point of view of general policy the present would be a most inopportune moment at which to provoke another oil controversy with the United States of America. To avoid such a controversy we should have to walk very warily indeed. The Americans were already suspicious of our every action in this matter. They suspected us of being able to do what we liked with the SHAIKH and of merely sheltering ourselves behind him when it was a question of furthering the interests of a British company. They suspected us also of having deliberately delayed negotiations with the Eastern and General Syndicate in order to give the Anglo-Persian Oil Company time to formulate their proposals. The Foreign Office were therefore most anxious that no action should be taken which would lead the Americans to believe that we were actively working against American interests. The only policy which would, in the opinion of the Foreign Office, be justifiable was a policy of absolute impartiality as between the two competing companies. We must adhere genuinely to the principle of a "fair field and no favour."

MR. WARNER added that, in view of the American suspicions, it was much to be hoped that the offer which the Anglo-Persian Oil Company were now putting forward would be demonstrably a better offer than the Syndicate's. If, however, there were

little to choose between the two offers, it would be more difficult, but at the same time most important, for His Majesty's Government to be in a position to maintain that they had acted with complete impartiality.

It was agreed that the Anglo-Persian Oil Company must put up a businesslike offer. This they were apparently doing and the SHAIKH should shortly have an opportunity of comparing their concrete proposals with those of the Eastern and General Syndicate. The course to be adopted by His Majesty's Government in the future would clearly depend upon the nature of the respective proposals, but the Foreign Office representatives stressed the point that nothing should be done which might enable the Americans to accuse His Majesty's Government of bias in favour of the British company.

MR. LAITHWAITE thought that the Anglo-Persian Oil Company's offer should be at least as good as the offer of the Eastern and General Syndicate and preferably better, if His Majesty's Government were to be in a position to argue convincingly that the SHAIKH, in choosing the offer of the Anglo-Persian Oil Company, had done so purely on a comparison of the business merits of the proposals made to him. We had, too, to consider the Shaikh's own financial interests in the matter.

CAPTAIN MOORE explained that the Admiralty's view was that both offers being equal or nearly so, our strategic needs in the Persian Gulf weighed down the scales heavily in favour of the British company. He pointed out that the terms of SIR JOHN SIMON'S note to MR. ATHERTON of the 9th April did not preclude our giving the preference to a proposal from another company, so long as that offer was equally favourable from the point of view of the SHAIKH as the proposal made by the Eastern and General Syndicate.

Discussion then turned on what, if any, action was desirable *vis-à-vis* the Eastern and General Syndicate. The suggestion was made that it might now be advisable to let the Syndicate know the safeguards on which His Majesty's Government would insist before letting American interests into Kuwait. MR. BAXTER suggested that the necessary safeguards might be communicated to both the competing companies. MR. STARLING, however, deprecated such action at this stage as the new general oil policy of His Majesty's Government had not yet been formally adopted and to disclose it in this case might have unfortunate consequences in connexion with the negotiations which would have to take place with the United States Government. Before we could start those negotiations it had been agreed that it would be necessary to communicate to the Dominions that the change of policy had been decided upon for His Majesty's Government in the United Kingdom and the Colonies and presumably to allow a sufficient time to elapse for the Dominions to make their comments on this change if they had any.

It was agreed, however, that something must be said to the Eastern and General Syndicate. The recent correspondence had left them with the expectation that the next step would be a discussion in London of their recent draft concession in the light of any criticisms made by the various interested Departments, the Government of India and the Resident in the Persian Gulf, and it was necessary, therefore, to let them know officially that no definite conclusion can be reached on their draft concession until the SHAIKH has had an opportunity of comparing their proposals with those of the Anglo-Persian Oil Company which, it is understood, are shortly to be submitted to the SHAIKH.

It was also agreed that the Resident in the Persian Gulf should be informed of the position as regards both applications.

MR. STARLING said that the Petroleum Department would be willing to compile a statement embodying the criticisms of His Majesty's Government and the Indian Government on the Syndicate's latest draft concession. This would be sent out to the SHAIKH for his information, but should not be communicated to the Syndicate at this stage.

The conclusions of the meeting may, therefore, be summarised as follows :—

(1) That no decision can be taken regarding the Eastern and General Syndicate's draft concession until the terms of the Anglo-Persian Oil Company's draft have been disclosed, and the SHAIKH'S reaction thereto are known.

(2) The Petroleum Department will prepare a statement of criticisms of the Syndicate's latest draft including the desiderata of His Majesty's Government. When this statement is ready and the Anglo-Persian Oil Company's proposals are also available a further meeting will probably be necessary to examine the further action to be taken in the matter.

(3) The Eastern and General Syndicate should be sent an interim reply telling them that the Anglo-Persian Oil Company have now submitted a formal application for a concession, and notifying them that no decision can be expected regarding their draft concession until there has been an opportunity of comparing it with that of the Anglo-Persian Oil Company.

(4) The RESIDENT in the Persian Gulf should be informed of the present position regarding both applications in the light of the decisions taken at this meeting.

C. 98019/32 [No. 20].

No. 155.

THE POLITICAL RESIDENT to THE SECRETARY OF STATE.

(Received 23rd August, 1933.)

(Confidential.) British Residency and Consulate-General,
SIR, Bushire, 16th August, 1932.

WITH reference to correspondence ending with your despatch No. Confidential (2), dated 11th May, 1932,* I have the honour to forward herewith a copy of a letter No. 72-C/7, dated 13th August, 1932, from the Deputy General Manager, Anglo-Persian Oil Company, Limited, Abadan, enclosing a copy of a draft oil concession which the Company proposes to submit to His Excellency the Shaikh of Kuwait.

2. I suggest that, as in the case of the draft concession recently submitted by the Eastern and General Syndicate, the present draft should be discussed with the Anglo-Persian Oil Company in London. I shall forward my comments on hearing from Colonel Dickson, whom I am consulting.

I am sending a copy of this letter to the Government of India.

I have, &c.,
T. C. FOWLE,
Lieutenant-Colonel,
Political Resident in the Persian Gulf.

Enclosure in No. 155.

ANGLO-PERSIAN OIL COMPANY, LIMITED, to the POLITICAL RESIDENT, PERSIAN GULF.

(Confidential.)
(No. 72-C/7.)

SIR, Abadan Refinery, Persian Gulf, 13th August, 1932.

Kuwait Concession.

FURTHER to previous correspondence on this subject we now enclose a copy in English and Arabic of the draft of our proposed concession for exploitation of the oil resources of Kuwait, which we are now proceeding to endeavour to negotiate with His Excellency the Shaikh of Kuwait.

Our representative, Mr. A. H. T. Chisholm, hopes to arrive at Kuwait on the 14th instant and shortly afterwards to present and discuss this draft with His Excellency the Shaikh. On the 18th-20th instant the undersigned proposes to visit Kuwait by air in order to be available for consultation with the Shaikh.

We have provided Lieut.-Colonel H. R. P. Dickson, C.I.E., Political Agent, Kuwait, with similar copies of this draft concession for his information.

We beg to observe that although the wording of the enclosed draft is exactly as will be presented to His Excellency the Shaikh, we have not yet finally decided as to whether the money amounts stated in our draft shall be expressed in sterling or in rupees. In the enclosed draft we have marked the amounts for your information in sterling; there remains however the possibility of these amounts being altered to roughly equivalent round figures in rupees before the draft is presented to His Excellency the Shaikh.

We have, &c.
(for Anglo-Persian Oil Company, Limited),
N. A. GASS,
Deputy General Manager.

* C. 98026/32 [No. 53] : not printed.

AGREEMENT BETWEEN HIS EXCELLENCY SHAIKH SIR AHMAD AL-JABIR AS SABAH, K.C.I.E., C.S.I., SHAIKH OF KUWAIT, AND ANGLO-PERSIAN OIL COMPANY, LIMITED.

This is an Agreement made at Kuwait on 1932, between His Excellency Shaikh Sir Ahmad al-Jabir as Sabah, Knight Commander of the Most Eminent Order of the Indian Empire and Companion of the Most Exalted Order of the Star of India, the Shaikh of Kuwait (hereinafter called "the Shaikh") on his own behalf and in the name of and on behalf of his heirs and successors in whom is or shall be vested the responsibility for the control and Government of the Principality of Kuwait and the Anglo-Persian Oil Company, Limited (hereinafter called "the Company") relating to the search for production and handling of petroleum within the territories of Kuwait.

Article 1. The Shaikh hereby grants to the Company the exclusive right to explore throughout the whole of his territories as shown on the map annexed hereto (excepting only in the town of Kuwait, and in graveyards), and search for petroleum and cognate products (hereinafter collectively referred to as "petroleum") for a maximum period of two years, that is until , 1934, at the latest, on the conditions set forth below.

Article 2. In consideration of the exclusive right above granted and of the assistance and protection which the Shaikh shall afford to the employees of the Company the Company shall pay to the Shaikh £4,000 (Four thousand) immediately on the signature of this agreement and shall pay £1,500 (Fifteen hundred) on the , 1933.

Article 3. From the date of the expiration of the exploration period mentioned in Article 1, that is, from the , 1934, at the latest, the Company shall have, for a maximum period of two years, the exclusive right to import machinery and workmen for searching petroleum and shall drill in a workmanlike manner to a total depth overall of at least 4,000 feet at such and in so many places as the Company decide, and at the commencement of this drilling period and on the same date in the year immediately succeeding, that is, on the , 1934, and on , 1935, at the latest, the Company shall pay to the Shaikh £2,000 (Two thousand) in consideration of the exclusive rights above granted and of the assistance and protection which the Shaikh shall afford to the employees of the Company.

Article 4. As from the date of expiration of the drilling period mentioned in Article 3, that is, from the , 1936, at the latest, the Shaikh undertakes to grant for 70 years to the Company on the request of the Company the exclusive right to search for and produce petroleum (excepting only in the town of Kuwait and in graveyards) and the right to refine petroleum within and to export petroleum from the territories of Kuwait on the conditions set forth below.

Article 5. On the date when the Shaikh grants to the Company the exclusive right mentioned in Article 4, that is on the , 1936, at the latest, and on each subsequent anniversary thereof during the currency of this Agreement and pending the declaration set forth below, the Company shall pay to the Shaikh £2,000 (Two thousand) or royalty as set forth below, whichever shall be the greater sum. The Company shall pay to the Shaikh a royalty of £1 for every five tons of petroleum which the Company shall produce over and above the petroleum required for its operations hereunder, and so soon as the Company shall declare that petroleum has been found in commercial quantities and quality the annual payment by the Company to the Shaikh shall be £3,500 (Three thousand five hundred) plus the total of the royalty accrued with a minimum payment of £5,000 (Five thousand) in the first year, of £6,000 (Six thousand) in the second year and £7,500 (Seven thousand five hundred) yearly thereafter, save only in the event of the interruption of the Company's operations hereunder by reason of events outside the control of the Company, in which event payment shall continue to be made at the annual rate of £2,000 (Two thousand).

Article 6. In connexion with its operations hereunder the Company shall have the right freely to construct in the territories of Kuwait and to operate power stations, refineries, pipelines and storage tanks, telegraph, telephone and wireless installations, roads, railways, tramways, buildings, wharves and jetties with such lighting as may be requisite and any other works found necessary, and for such purposes to use freely (but not for export) any stone, sand, lime, gypsum, clay or water which may be available and may be required for its operations hereunder. The Company shall at its discretion but in consultation with the Shaikh select the position of any such works. The Company may likewise freely utilise all such means as may be necessary for the effective conduct of its operations hereunder.

Article 7. In consideration of the payments by the Company herein prescribed and to assist in the development of the natural resources of Kuwait the Company shall

have the right for the purposes of its operations under this Agreement freely to import or export without any taxes, duties or payments to the Shaikh all machinery, materials, equipment or goods which may be required.

Article 8. The Company shall have the right to import water free and to use local supplies as far as available for its operations and employees and the right to purchase at current market rates fuel and food and other supplies of every kind for its operations hereunder and the Company shall employ subjects of the Shaikh as far as possible for all work for which they are suited under the supervision of the Company's skilled employees.

Article 9. The Shaikh grants to the Company free of cost the free use and occupation of all land belonging to the Shaikh which the Company may need for the purposes of its operations hereunder; it is furthermore agreed between the Shaikh and the Company that the Company may buy or lease for such purposes by agreement with the proprietors any lands, houses or buildings on conditions to be arranged with such proprietors but at rates not in excess of those ordinarily current in their respective localities.

On the termination of this Agreement all lands granted by the Shaikh and any lands or buildings which the Company may have bought and any houses or buildings constructed by the Company within the territories of the Shaikh shall be handed over to the Shaikh free of cost.

Article 10. All the lands granted by the Shaikh to the Company and all houses and buildings acquired by the Company, all petroleum produced as well as any profits therefrom and all machinery, materials, equipment and goods imported or subsequently exported shall be free of all taxes and duties or payments to the Shaikh during the period of this Agreement.

Article 11. Throughout the period of this Agreement the Shaikh shall give to the Company and all its employees all protection in his power from theft, highway robbery, assault, wilful damage and destruction, but the Company in consultation with the Shaikh shall appoint and itself pay permanent trustworthy guards under a reliable man of good standing, and these guards shall protect the property of the Company and its employees at all times.

If in spite of the efforts of the said guards thefts should occur, the Shaikh undertakes to take all reasonable measures to recover the property stolen and to compensate the Company for any damage sustained in his territory. In the event of the non-recovery of the stolen property, except for reasons beyond the control of the Shaikh, the value thereof shall be deducted by the Company from any payments due from time to time by the Company to the Shaikh.

In the case of serious offences the said guards are subject to dismissal and stoppage of pay by the Company. In the event of any heavier punishment being needed, the offender shall be handed over to the representative of the Shaikh, and the Shaikh undertakes that punishment shall be inflicted and that he will use his utmost endeavours to uphold the authority of the Company.

Article 12. If the Company shall fail to carry out its obligations under this Agreement or shall fail within six months after any anniversary of this Agreement to pay to the Shaikh the annual payments due or the royalties which may have become due the Shaikh acting on the advice of the Political Resident shall have the power to terminate this Agreement and all the property of the Company then in Kuwait territory for the purposes of this Agreement shall then but on no other grounds become the property of the Shaikh without payment. In the event of the Company failing to make the declaration provided in Article 5 on or before the , 1941, the Shaikh shall have the power to call upon the Company either to make the declaration forthwith or to surrender all rights under this Agreement, which shall then terminate.

Article 13. With the approval of the Shaikh acting on the advice of the Political Resident the Company may transfer the obligations and benefits of this Agreement to any British company.

Article 14. The Company shall have the right at any time after the completion of drilling mentioned in Article 3 to give the Shaikh one year's notice in advance to terminate this Agreement and the Company shall on expiry of such notice have no further liabilities hereunder after making due payment of all monies due to the Shaikh up to the date of termination.

Article 15. In the event of there arising between the Shaikh and the Company any dispute or difference in respect of the interpretation of this Agreement or the rights or responsibilities of the Shaikh or of the Company therefrom resulting, such dispute or difference shall be submitted to two arbitrators, one of whom shall be named

by the Shaikh and one by the Company and to an umpire who shall be appointed by the arbitrators before they proceed to arbitrate.

The decision of the arbitrators, or in the event of disagreement between the arbitrators the decision of the umpire shall be final.

Article 16. This Agreement is written in English and translated into Arabic. If there should at any time be disagreement as to the meaning or interpretation of any clause in this Agreement the English text shall be regarded as binding.

C. 98026/32 [No. 103].

No. 156.

COLONIAL OFFICE to EASTERN AND GENERAL SYNDICATE, LIMITED.

[*Answered by No.* 167.]

SIR, Downing Street, 24th August, 1932.

I AM directed to refer to the letter from this Department of the 17th of June,* regarding the application of the Eastern and General Syndicate, Limited, for the grant of an oil concession in Kuwait, and to inform you that the draft concession submitted by your Syndicate to the Shaikh of Kuwait is being examined by His Majesty's Government.

2. You will recall that, in paragraph 3 of the letter from this Office of the 10th of May,† it was pointed out that His Majesty's Government did not consider that they could properly advise the Shaikh to give prior or preferential treatment to the Eastern and General Syndicate, but held it necessary that any application for a concession which might be forthcoming from any quarter should be examined with a view to deciding which, if any, application would best serve the interests of the Shaikh and his principality. Information has now been received that the Anglo-Persian Oil Company have submitted a draft concession for the consideration of the Shaikh of Kuwait and it will therefore be necessary to defer a decision in the matter until the Shaikh has had an opportunity of considering the proposals of the Anglo-Persian Oil Company and of comparing them with those made by your Syndicate, in the light of any criticisms offered by His Majesty's Government and the Government of India.

I am, &c.,
J. E. W. FLOOD.

C. 98026/32 [No. 104].

No. 157.

THE SECRETARY OF STATE to THE POLITICAL RESIDENT.

(Confidential.)

SIR, Downing Street, 24th August, 1932.

WITH reference to my Confidential despatch No. 2 of the 11th May‡ and connected correspondence on the subject of Kuwait oil, I have the honour to inform you that the procedure to be adopted in connexion with the applications of the Eastern and General Syndicate, Limited, and the Anglo-Persian Oil Company has been under consideration by His Majesty's Government.

2. In paragraph 7 of his despatch No. 21 of the 10th of June,§ the late Sir Hugh Biscoe suggested that an entirely new draft concession should be prepared for discussion with the Eastern and General Syndicate. His Majesty's Government are reluctant to adopt this suggestion in view of the information which has been received that the Anglo-Persian Oil Company have already prepared a draft concession and have sent it to their local representatives for submission to the Shaikh of Kuwait. In these circumstances it would now appear advisable to defer any action until the Shaikh has had an opportunity of comparing the proposals of the Anglo-Persian Oil Company with those of the Eastern and General Syndicate, and has given some indication of his wishes in the matter.

* No. 145. † No. 141. ‡ C. 98026/32 [No. 53]: not printed. § No. 148.

3. Meanwhile steps are being taken to compile a statement containing the observations of His Majesty's Government on the latest draft concession submitted by the Syndicate, a copy of which accompanied Sir Hugh Biscoe's Confidential despatch No. 20 of the 7th of June.* These observations will take account of the criticisms offered by the Government of India and Sir Hugh Biscoe, as well as the desiderata of His Majesty's Government as set out in the last paragraph of my Confidential telegram No. 3 of the 9th of May.† When the statement is ready, it will be forwarded to you for your information and for communication to the Shaikh of Kuwait, but it will not be communicated to the Syndicate until the proposals of the Anglo-Persian Oil Company have been made known and have been examined both by the Shaikh and by His Majesty's Government.

4. I enclose for your information a copy of the recent correspondence‡ with the Eastern and General Syndicate on the subject of their application.

I have, &c.
(for the Secretary of State),
R. W. HAMILTON.

C. 98019/32 [No. 21].

No. 158.

MR. A. C. HEARN (ANGLO-PERSIAN OIL COMPANY LIMITED)

to

MR. J. E. W. FLOOD (COLONIAL OFFICE).

[*Answered by No.* 159.]

Britannic House, Finsbury Circus,

DEAR MR. FLOOD, London, E.C.2, 29th August, 1932.

NOT long ago this Company, through the medium of its Manager in Abadan, opened discussions with the Sheikh of Kuwait for an oil concession in his territory on the basis of a draft agreement sent to Abadan, the terms of which, in the view of this Company, are not only fair but generous. A few days back we learnt by telegram from Abadan that the Sheikh of Kuwait had expressed satisfaction at the form of the agreement but stated that he required more time to consider it in detail, after which he would probably request certain modifications. He declined, however, to discuss the matter further until he had received the approval of the Political Resident in the Persian Gulf to the draft. Our representative thereupon visited the Political Resident at Bushire in the hope that he would inform the Sheikh that he considered the draft provided a satisfactory basis for commencing direct negotiations. This, however, he has refused to do and our latest information is to the effect that he has sent the draft agreement by last air mail to the Colonial Office and is forwarding his comments by the next air mail.

In the circumstances as reported above, and having regard to certain other considerations bearing on these negotiations, I shall be very glad to have the opportunity of calling on you to discuss the matter with the object if possible of eliminating any avoidable circumlocution. Sir John Cadman is at present abroad, but he would, I know, much appreciate anything that can be done with this object in view.

Yours, &c.,
A. C. HEARN.

C. 98019/32 [No. 22].

No. 159.

MR. J. E. W. FLOOD (COLONIAL OFFICE)

to

MR. A. C. HEARN (ANGLO-PERSIAN OIL COMPANY LIMITED).

DEAR MR. HEARN, Downing Street, 30th August, 1932.

MANY thanks for your letter of the 29th of August§ about the Kuwait oil concession. The position, as far as we are concerned, is that we have got a bare copy

* No. 144. † No. 140. ‡ Nos. 143, 145, and 156. § No. 158.

of the proposed concession agreement from the Resident in the Gulf but have not received his comments upon it. These comments we expect by the next mail, as you say.

Until those comments have been received and the whole matter has been considered by the various Departments interested, I am afraid that I could not say anything useful, but I am entirely at your disposal any time that you care to call here during the next week, as I have no engagements that I know of. You will, however, realise that another application is also under consideration by the Sheikh and by the Departments, and the position is not free from difficulty on that account.

Yours, &c.,
J. E. W. FLOOD.

C. 98019/32 [No. 27].

No. 160.

THE POLITICAL RESIDENT to THE SECRETARY OF STATE.

(Received 1st September, 1933.)

[*Answered by No.* 168.]

(Confidential.)
(No. 36 of 1932.)

British Residency and Consulate-General,
Bushire, 25th August, 1932.

SIR,

Anglo-Persian Oil Company's Oil Concession in Kuwait.

WITH reference to correspondence ending with my despatch No. 32 of the 16th August, 1932,* I have the honour to state that I have received a letter from the Political Agent, Kuwait, in which he states that representatives of the Anglo-Persian Oil Company, Mr. Gass and Mr. Chisholm, have been having conversations with him and His Excellency the Shaikh on the above subject. Mr. Chisholm, of the Anglo-Persian Oil Company, arrived by air to-day from Basrah in the same connexion and brought with him the revised copy of their proposed Agreement with His Excellency, of which I enclose a copy.

2. The position is that His Excellency, who on the occasion of Mr. Gass' last visit to Kuwait expressed a wish that the Anglo-Persian Oil Company draft agreement should be prepared as quickly as possible, has now taken up the attitude—as explained by Colonel Dickson—that—

> " he, the Shaikh, was not at liberty to discuss the details of the draft agreement, or even put forward his own proposals until such time as the Honourable the Political Resident, through the Political Agent had intimated that the wording and details of the draft agreement had his approval and that of His Majesty's Government." Colonel Dickson goes on to say : " I understand that Mr. Chisholm will call on you on Friday, 26th August, to explain the situation in all its aspects, but in order to enable the Anglo-Persian Oil Company to get on with their negotiations with the Shaikh, which are now held up, it seems to me to be very necessary that you should give their draft agreement your preliminary " blessing " and authorize me to tell the Shaikh that you approve of it as far as it goes, and have no objection to his opening formal discussions with the Anglo-Persian Oil Company's representatives, so that they can bring their draft agreement up to the stage at which Major Holmes has been able to bring his, *i.e., to its final state*, and embodying all suggestions that the Shaikh has to make."

3. Mr. Chisholm has talked the matter over with me to-day and has expressed the same views as those put forward by Colonel Dickson. While realizing that the attitude of the Shaikh must be somewhat annoying to the Company, I do not see my way to carrying out Colonel Dickson's suggestion. As the Shaikh, having seen the Company's draft agreement, has expressed a desire for His Majesty's Government's approval, I think his wish should be complied with, and for the following reasons. In the proposed draft there are—

(*a*) Various Articles (such as Nos. 8 and 11) which deal with comparatively unimportant matters, which the Shaikh is capable of deciding himself with

* No. 155.

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the assistance of the Political Agent and the Political Resident in direct communication with the Company;

(*b*) Other Articles (such as Nos. 1, 6 and 13) which cover matters of political importance to His Majesty's Government;

(*c*) Articles of a technical or financial nature (such as those mentioned in Articles 2 to 5, 7 and 9) regarding which the Shaikh is unable to look after his own interests without expert advice from His Majesty's Government.

If the Shaikh discusses the draft with the Company before His Majesty's Government's views are known, he may concur with some of the Articles under (*b*) and (*c*) which His Majesty's Government may later have to object to, either on their own behalf or on behalf of the Shaikh. An awkward situation would thus obviously arise for His Majesty's Government, *vis à vis* both the Shaikh and the Company. It seems better, therefore, to obtain his Majesty's Government's views first and then for the Shaikh to discuss the matter with the Anglo-Persian Oil Company. I have explained my point of view generally to Mr. Chisholm.

4. I have the following comments to make on the proposed draft agreement :—

Article 1.

Bander Shuwaikh should presumably be exempted as well as a possible cantonment area near Ras-el-Ardh (*vide* Bushire despatch No. 42, dated 6th October, 1930). The period covered by this Article, which is apparently for exploration, is two years. This seems reasonable. The extent covered is the whole territory No depth of boring is laid down. I do not know whether this is an important point or not. I believe it is sometimes customary to limit the depth of boring during the period of exploration to twenty feet

Article 2.

No comments.

Article 3.

Here prospecting apparently begins. The period is two years. No areas are specified. Sometimes, I believe, a certain number of areas are chosen by the licensee.

Article 4.

Mining lease apparently begins with this Article. The period is for seventy years. This may be considered too long, but I understand that the Shaikh himself asked for this period. There is no limit to the areas covered by the mining operations, but as the total area to be covered is small, perhaps there is no objection to this.

Article 5.

I have no comments to make on these figures, which *prima facie* appear adequate. No provision is made for the revision of royalties or for giving the Shaikh facilities to check production by inspecting the Company's books or otherwise. (The latter suggestion was made in the case of the Eastern and General Syndicate Bahrein Concession in the Petroleum Department's letter No. 21, Part 2, dated 20th June, 1932.)

Article 6.

As the Anglo-Persian Oil Company are a British Company, presumably in the case of war or other emergency His Majesty's Government could control the Company's activities, so a special proviso to cover this contingency will not be necessary.

Article 7.

In this connexion reference is invited to Colonial Office despatch No. 11, dated 26th March, 1925.*

Article 8.

No comments.

Article 9.

This appears reasonable. There is no mention of rent but on the other hand I understand only land unoccupied is meant to come under this Article.

Article 10.

No comments.

Article 11.

No comments.

* C. 12314/25 : not printed.

Article 12.

No comments.

Article 13.

This Article provides that the transfer of " obligations and benefits " must be to a British company, and with the sanction of the Shaikh. The safeguards thus provided seem to be adequate, but the British company might be defined as in Colonial Office despatch " Confidential," dated 13th March, 1930.*

Article 14.

The question whether the word " period " should be inserted after " drilling " might be considered.

Article 15.

No comments.

Article 16.

No comments.

5. A comparison of the Anglo-Persian Oil Company's Agreement with that of the Eastern and General Syndicate, disregarding unessentials, gives the following results :—

(*a*) On signing the Agreement the Anglo-Persian Oil Company offer the Shaikh Rs. 20,000 more than the Syndicate. On commencement of the drilling period the Anglo-Persian Oil Company agree to pay Rs. 25,000

(*b*) On grant of mining lease and subsequent anniversary till oil is declared Anglo-Persian Oil Company pay Rs. 25,000. This as opposed to Eastern and General Syndicate's Rs. 20,000 per annum.

(*c*) When the Company declare that oil has been found in commercially exploitable quantities they agree to pay the Shaikh Rs. 50,000 plus a royalty of Rs. 2-10-0 per ton, subject to a minimum of Rs. 65,000 in the first year, rising to Rs. 100,000 in the third year, and the same sum annually thereafter. The Syndicate on the other hand offer a royalty of Rs. 3-8-0 per ton, but no annual payments. The Syndicate's offer is, in fact, a gamble on the quantity of oil produced.

(*d*) As regards imports and exports the Syndicate's offer is slightly the better. The Anglo-Persian Oil Company ask for their imports and exports to be duty free. The Syndicate agree to pay an export duty of 1 per cent. on oil and its products as also duty on all articles for the personal use of its employees.

(*e*) It will be noticed that the Anglo-Persian Oil Company guarantee to do drilling to 4,000 feet, while the Syndicate make no such promise.

6. I would be grateful if I could be informed of the views of His Majesty's Government as soon as possible. The Anglo-Persian Oil Company are slightly nervous that Major Holmes, who is due in Kuwait at the end of this month, may effect a coup behind their backs. I do not think there is any danger of this, but to make sure I am asking Colonel Dickson to make it quite clear to the Shaikh that he should give no reply to any offers that Major Holmes may make until he, the Shaikh, has had an opportunity of studying the Anglo-Persian Oil Company's Agreement when it is received back with His Majesty's Government's comments.

I am sending a copy of this despatch to the Foreign Secretary to the Government of India.

I have, &c.,
T. C. FOWLE,
Lieutenant-Colonel,
Political Resident in the Persian Gulf.

Enclosure in No. 160.

THIS is an AGREEMENT made at Kuwait on the , 1932, between His Excellency Shaikh Sir Ahmad al-Jabir as-Subah, Knight Commander of the Most Eminent Order of the Indian Empire and Companion of the Most Exalted Order of the Star of India, the SHAIKH OF KUWAIT (hereinafter called " the Shaikh ") on his own behalf and in the name of and on behalf of his heirs and successors in whom is or shall be vested the responsibility for the control and government of the Principality

* No. 53 in Middle East No. 32.

of Kuwait and the ANGLO-PERSIAN OIL COMPANY, LIMITED (hereinafter called " the Company ") relating to the search for production and handling of petroleum within the territories of Kuwait.

Article 1. The Shaikh hereby grants to the Company the exclusive right to explore throughout the whole of his territories as shown on the map* annexed hereto (excepting only in the town of Kuwait, and in graveyards), and search for petroleum and cognate products (hereinafter collectively referred to as " petroleum ") for a maximum period of two years, that is until , 1934, at the latest, on the conditions set forth below.

Article 2. In consideration of the exclusive right above granted and of the assistance and protection which the Shaikh shall afford to the employees of the Company the Company shall pay to the Shaikh Rs. 50,000 immediately on the signature of this Agreement and shall pay Rs. 20,000 on the , 1933, unless the drilling period mentioned in Article 3 shall commence on or before , 1933, in which event this payment of Rs. 20,000 shall be cancelled.

Article 3. From the date of the expiration of the exploration period mentioned in Article 1, that is, from the , 1934, at the latest, the Company shall have, for a maximum period of two years, the exclusive right to import machinery and workmen for searching for petroleum and shall drill in a workmanlike manner to a total depth overall of at least 4,000 feet at such and so many places as the Company decide, and at the commencement of this drilling period and on the same date in the year immediately succeeding, that is, on the , 1934, and on , 1935, at the latest, the Company shall pay to the Shaikh Rs. 25,000 in consideration of the exclusive rights above granted and of the assistance and protection which the Shaikh shall afford to the employees of the Company.

Article 4. As from the date of expiration of the drilling period mentioned in Article 3, that is, from the , 1936, at the latest, the Shaikh undertakes to grant for 70 years to the Company on the request of the Company the exclusive right to search for and produce petroleum (excepting only in the town of Kuwait and in graveyards) and the right to refine petroleum within and to export petroleum from the territories of Kuwait on the conditions set forth below.

Article 5. On the date when the Shaikh grants to the Company the exclusive right mentioned in Article 4, that is on the , 1936, at the latest, and on each subsequent anniversary thereof during the currency of this Agreement and pending the declaration set forth below the Company shall pay to the Shaikh Rs. 25,000 or royalty as set forth below, whichever shall be the greater sum. The Company shall pay to the Shaikh a royalty of Rs. 2/10/- for every one ton of petroleum which the Company shall produce over and above the petroleum required for its operations hereunder, and so soon as the Company shall declare that petroleum has been found in commercial quantities and quality the annual payment by the Company to the Shaikh shall be Rs. 50,000 plus the total of the royalty accrued with a minimum payment of Rs. 65,000 in the first year, of Rs. 80,000 in the second year and Rs. 100,000 yearly thereafter, save only in the event of the interruption of the Company's operations hereunder by reason of events outside the control of the Company, in which event payment shall continue to be made at the annual rate of Rs. 25,000.

Article 6. In connexion with its operations hereunder the Company shall have the right freely to construct in the territories of Kuwait and to operate power stations, refineries, pipelines and storage tanks, telegraph, telephone and wireless installations, roads, railways, tramways, buildings, wharves and jetties, with such lighting as may be requisite and any other works found necessary, and for such purposes to use freely (but not for export) any stone, sand, lime, gypsum, clay or water which may be available and may be required for its operations hereunder. The Company shall at its discretion but in consultation with the Shaikh select the position of any such works. The Company may likewise freely utilise all such means as may be necessary for the effective conduct of its operations hereunder.

Article 7. In consideration of the payments by the Company herein prescribed and to assist in the development of the natural resources of Kuwait the Company shall have the right for the purposes of its operations under this Agreement freely to import or export without any taxes, duties or payments to the Shaikh, all machinery, materials, equipment or goods which may be required.

Article 8. The Company shall have the right to import water free and to use local supplies as far as available for its operations and employees and the right to

* Not printed

purchase at current market rates fuel and food and other supplies of every kind for its operations hereunder and the Company shall employ subjects of the Shaikh as far as possible for all work for which they are suited under the supervision of the Company's skilled employees.

Article 9. The Shaikh grants to the Company free of cost the free use and occupation of all land belonging to the Shaikh which the Company may need for the purposes of its operations hereunder; it is furthermore agreed between the Shaikh and the Company that the Company may buy or lease for such purposes by agreement with the proprietors any lands, houses or buildings on conditions to be arranged with such proprietors, but at rates not in excess of those ordinarily current in their respective localities.

On the termination of this Agreement all lands granted by the Shaikh and any lands or buildings which the Company may have bought and any houses or buildings constructed by the Company within the territories of the Shaikh shall be handed over to the Shaikh free of cost.

Article 10. All lands granted by the Shaikh to the Company and all lands, houses and buildings acquired by the Company, all petroleum produced as well as any profits therefrom and all machinery, materials, equipment and goods imported or subsequently exported shall be free of all taxes and duties or payments to the Shaikh during the period of this Agreement.

Article 11.—Throughout the period of this Agreement the Shaikh shall give to the Company and all its employees all protection in his power from theft, highway robbery, assault, wilful damage and destruction, but the Company in consultation with the Shaikh shall appoint and itself pay permanent trustworthy guards under a reliable man of good standing and these guards shall protect the property of the Company and its employees at all times.

If in spite of the efforts of the said guards thefts should occur the Shaikh undertakes to take all reasonable measures to recover the property stolen and to compensate the Company for any damage sustained in his territory. In the event of non-recovery of the stolen property, except for reasons beyond the control of the Shaikh, the value thereof shall be deducted by the Company from any payments due from time to time by the Company to the Shaikh.

In the case of serious offences the said guards are subject to dismissal or stoppage of pay by the Company. In the event of any heavier punishment being needed, the offender shall be handed over to the representative of the Shaikh, and the Shaikh undertakes that punishment shall be inflicted and that he will use his utmost endeavours to uphold the authority of the Company.

Article 12. If the Company shall fail to carry out its obligations under this Agreement or shall fail within six months after any anniversary of this Agreement to pay to the Shaikh the annual payments due or the royalties which may have become due the Shaikh acting on the advice of the Political Resident shall have the power to terminate this Agreement and all the property of the Company then in Kuwait territory for the purposes of this Agreement shall then, but on no other grounds, become the property of the Shaikh without payment. In the event of the Company failing to make the declaration provided in Article 5 on or before the , 1941, the Shaikh shall have the power to call upon the Company either to make the declaration forthwith or to surrender all rights under this Agreement, which shall then terminate.

Article 13. With the approval of the Shaikh acting on the advice of the Political Resident the Company may transfer the obligations and benefits of this Agreement to any British Company.

Article 14. The Company shall have the right at any time after the completion of drilling mentioned in Article 3 to give the Shaikh one year's notice in advance to terminate this Agreement and the Company shall on expiry of such notice have no further liabilities hereunder after making due payment of all monies due to the Shaikh up to the date of termination.

Article 15. In the event of there arising between the Shaikh and the Company any dispute or difference in respect of the interpretation of this Agreement or the rights or responsibilities of the Shaikh or of the Company therefrom resulting, such dispute or difference shall be submitted to two arbitrators, one of whom shall be named by the Shaikh and one by the Company and to an umpire who shall be appointed by the arbitrators before they proceed to arbitrate.

The decision of the arbitrators, or in the event of disagreement between the arbitrators the decision of the umpire shall be final.

Article 16. This Agreement is written in English and translated into Arabic. If there should at any time be disagreement as to the meaning or interpretation of any clause in this Agreement the English text shall be regarded as binding.

In witness whereof the parties to this Agreement have set their hands the day and year first above written.

On behalf of the Shaikh of Kuwait,	On behalf of the Anglo-Persian Oil Company, Limited,
In the presence of	In the presence of

C. 98019/32 [Nos. 23-26].

No. 161.

COLONIAL OFFICE

to

[1] Foreign Office.
[2] India Office.
[3] Admiralty.
[4] Petroleum Department.

Sir, Downing Street, 5th September, 1932.

With reference to the previous correspondence regarding the applications of the Anglo-Persian Oil Company for the grant of an oil concession in Kuwait, I am directed to transmit to you, to be laid before [*To* [1]: Secretary Sir John Simon] [*To* [2]: Secretary Sir Samuel Hoare] [*To* [3]: the Lords Commissioners of the Admiralty] [*To* [4]: the Secretary for Mines] a copy of a despatch* from the Political Resident in the Persian Gulf enclosing a copy of the draft concession which the Company have prepared for submission to the Shaikh of Kuwait. A further communication will be addressed to you when Major Fowle's comments on the draft concession have been received.

A similar letter is being addressed to the [*To* [1]: India Office, Admiralty and Petroleum Department] [*To* [2]: Foreign Office, Admiralty, and Petroleum Department] [*To* [3]: Foreign Office, India Office, and Petroleum Department] [*To* [4]: Foreign Office, India Office, and Admiralty].

I am, &c.,
O. G. R. WILLIAMS.

C. 98019/32 [Nos. 28-31].

No. 162.

COLONIAL OFFICE

to

[1] Foreign Office.
[2] India Office.
[3] Admiralty.
[4] Petroleum Department.

[*Answered* [2] *by No.* 169 *and* [3] *by No.* 171.]

Sir, Downing Street, 13th September, 1932.

I am directed to refer to the letter from this Department of the 5th of September† enclosing a copy of a despatch from the Political Resident in the Persian Gulf regarding the application of the Anglo-Persian Oil Company for the grant of an oil concession in Kuwait, and to transmit herewith, to be laid before [*To* [1]: Secretary Sir John Simon] [*To* [2]: Secretary Sir Samuel Hoare] [*To* [3]: the Lords

* No. 155. † No. 161.

Commissioners of the Admiralty] [*To* [4]: the Secretary for Mines], a copy of a further despatch* from Lieutenant-Colonel Fowle.

2. This despatch contains a revised version of the Company's draft Agreement, and the copy of the draft enclosed in the letter under reference should, therefore, be regarded as no longer accurate.

3. A similar letter is being addressed to [*To* [1]: the India Office, Admiralty and Petroleum Department] [*To* [2]: Foreign Office, Admiralty, and Petroleum Department] [*To* [3]: Foreign Office, India Office, and Petroleum Department] [*To* [4]: Foreign Office, India Office, and Admiralty].

I am, &c.,
O. G. R. WILLIAMS.

C. 98026/32 [No. 113].

No. 163.

EXTRACT FROM NOTES OF A MEETING HELD IN THE COLONIAL OFFICE ON THURSDAY, 15TH SEPTEMBER, 1932.

Present:—

MR. FLOOD (Colonial Office).
COMMANDER RIVETT CARNAC (Admiralty).
MR. LAITHWAITE (India Office).
MR. WARNER (Foreign Office).
MR. STARLING (Petroleum Department).

THE correspondence in connexion with the suggested application of the Eastern and General Syndicate for a petroleum concession in 'Qat'r was considered, and in particular the Admiralty letter of 28th July† to the Colonial Office and Foreign Office letter of 17th August.‡ MR. FLOOD explained that he had ascertained from MR. HEARN, of the Anglo-Persian Oil Company that that Company was interesting itself in the 'Qat'r Peninsula, and MR. STARLING stated that he had also received information to the same effect. In addition, the despatch of 26th August§ from the RESIDENT in the Persian Gulf confirmed the fact that negotiations were in progress. MR. FLOOD said he understood from MR. HEARN that a satisfactory agreement had been reached which would prevent any third party from intervening for at least two years MR. WARNER, however, took the view that a mere option which could simply be exercised so as to prevent the intervention of the Eastern and General Syndicate might well put His Majesty's Government in a position difficult to defend against representations by the Syndicate and the United States interests behind them, since in the case of Kuwait we had laid stress on the necessity, in the interest of the Shaikh, of allowing open competition If the Anglo-Persian Oil Company had really got an exploration licence and proposed to work it, the situation would be more satisfactory.

The main points of the Admiralty letter of the 28th of July were agreed to, but with regard to their suggestion that the grant of a concession in 'Qat'r might be deemed to be an extension of the Bahrein concession, and therefore that it might be possible to insist that the Bahrein concession must be amended so as to include the minimum safeguards already agreed upon, MR. FLOOD said that there would be difficulty in that since the Bahrein concession was in fact being operated not by the Eastern and General Syndicate but by the Bahrein Petroleum Company, and it would be a difficult measure to insist on that Company's grant being altered because of a proposed grant to somebody quite different in 'Qat'r. MR. LAITHWAITE said that the India Office also agreed with the view expressed by the Foreign Office, that it would be difficult to maintain the contention suggested by the Admiralty. It was agreed that in view of the Anglo-Persian's interest in 'Qat'r, the matter might be allowed to remain in abeyance for the present. COMMANDER RIVETT CARNAC stated that as the original Admiralty proposal now appeared to be impracticable, the Admiralty considered that, should the Bahrein Petroleum Company apply for any extension of their concession, the opportunity should then be taken to endeavour to obtain the required safeguards for the *whole* concession

* No. 160. † 98116/32 [No. 6]: not printed. ‡ C. 98116/32 [No. 7]: not printed.
§ C. 98116/32 [No. 18]: not printed.

MR. FLOOD raised the question of the attitude to be adopted towards the Eastern and General Syndicate, and said that he had it in mind to suggest that a despatch should be addressed to the RESIDENT in the Persian Gulf informing him that the Syndicate were not viewed with any favour by His Majesty's Government, and that any possible steps should be taken to prevent any further extension of their activities in the Gulf. MR. WARNER said that he did not consider that it was wise to give any such instructions to the Resident, since the Eastern and General Syndicate were known to represent United States interests in oil matters connected with the Gulf, and it was therefore important politically that they should be handled with great care, and should be given no excuse for accusing His Majesty's Government of unfair treatment. He suggested that, in view of the delicacy of these matters, the RESIDENT should rather be instructed always to refer home about them. At the same time it was considered that it would be advisable to make some communication to the RESIDENT, and in particular, in view of possible international repercussions and our duty to the SHAIKH, to suggest that if no undertaking had already been given, His Majesty's Government should be consulted before he finally gave his approval to whatever application had been made by the Anglo-Persian in 'Qat'r. COMMANDER RIVETT CARNAC said that the Admiralty would deprecate any unnecessary delay, as this might give the Eastern and General Syndicate time to put in an application. MR. FLOOD undertook to prepare a draft despatch which could be submitted to the Foreign Office for consideration in the first place. Subsequently, he would circulate the draft to the other Departments for concurrence.

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C. 98019/32 [No. 89].

No. 164.

EXTRACT FROM NOTES OF A MEETING HELD IN THE COLONIAL OFFICE ON THURSDAY, 15TH SEPTEMBER, 1932.

Present:

MR. FLOOD (Colonial Office).
COMMANDER RIVETT CARNAC (Admiralty).
MR. LAITHWAITE (India Office).
MR. WARNER (Foreign Office).
MR. STARLING (Petroleum Department).

* * * * * * * * * *

The meeting then went on to consider the position in Kuwait and the note from the United States Embassy with the draft Foreign Office reply. The draft was accepted by all parties as a suitable answer in the circumstances.

The question was considered whether any communication on the subject of the Kuwait Oil Concession should be made to the Resident in the Persian Gulf, as he would probably feel at a loss were negotiations to be carried on by Major Holmes or by the Anglo-Persian. As regards the situation generally, the position was as set out in the draft Foreign Office note, namely that His Majesty's Government would proceed to compare offers submitted by the Eastern and General Syndicate and by the Anglo-Persian and furnish their observations in due course to the Resident in order to enable the Shaikh to take his choice. In the meantime it would be better that neither the Resident nor the Shaikh should discuss the terms of the concession with either party, and it was agreed that a despatch should be sent to Lieutenant-Colonel Fowle to inform him of the exact situation. This despatch should include a copy of the correspondence between the Foreign Office and the United States Embassy.

Mr. Laithwaite then discussed the draft concession as submitted by the Anglo-Persian Oil Company, and mentioned certain points which had occurred to the India Office. He undertook to embody them in an official letter which could then be circulated and considered.

In this connexion Mr. Warner inquired whether it was contemplated that the second two of the agreed safeguards should be inserted, namely, a provision that oil should be refined in Kuwait or in British territory, and that oil of the Admiralty specification should be produced. It was, however, pointed out that if the Anglo-Persian

Oil Company got the concession they might wish to refine the oil at Abadan, which would not be British territory, though this would presumably be quite satisfactory from the Admiralty point of view. Also in Clause 10, it was suggested that a provision might be inserted to the effect that all dealings with the Shaikh should be conducted through the Resident, and that the Company should maintain a local representative who should be a British subject. It was also considered advisable that in Clause 13 the expression " British company " should be defined as suggested.

C. 98026/32 [No. 109].

No. 165.

THE UNITED STATES CHARGE D'AFFAIRES to FOREIGN OFFICE.

(Copy received in Colonial Office, 16th September, 1932.)

[*Answered by No.* 166.]

(No. 231.)

Embassy of the United States of America, London,
6th September, 1932.

SIR,

I HAVE the honour to refer to your note No. E 1733/121/91 of 9th April, 1932,* in which you were good enough to inform me that should the Eastern and General Syndicate desire to renew their application to the Shaikh of Kuwait for an oil concession, which they would subsequently transfer to another company, His Majesty's Government will raise no objection to the application being taken into consideration together with any other applications for oil concessions which may be forthcoming from other quarters.

In this connexion my Government has been informed by the interested American company that the Eastern and General Syndicate addressed a letter on 10th June, 1932,† to the Colonial Office requesting information as to whether the draft of a proposed concession (with special reference to Clause 8 thereof) with the Shaikh of Kuwait was satisfactory from the point of view of safeguarding the interests of His Majesty's Government, and, in addition, requesting an indication of wherein it failed to do so. It is represented that the failure of the Colonial Office to give in reply a definite indication of its views in this matter prevents the Shaikh of Kuwait from taking a decision on the draft concession which the Eastern and General Syndicate submitted to him on 26th May, 1932,‡ since he is barred from taking action before knowing what safeguards His Majesty's Government requires in a concession which is eventually to be assigned to a British or Canadian incorporated company controlled by American interests; meanwhile, it is stated, the Anglo-Persian Oil Company has submitted a draft concession which the Shaikh of Kuwait is being urged to grant immediately. Inasmuch as the question of safeguards does not arise in the case of this proposed Anglo-Persian concession, the Shaikh of Kuwait is presumably free to make a decision on it at any time. Thus the Eastern and General Syndicate is placed in a disadvantageous position, since it is unable to obtain consideration from the Shaikh of Kuwait for its draft concession because, it is represented to my Government, of the failure of the Colonial Office promptly to furnish the information requested nearly three months ago by the Eastern and General Syndicate.

In view of the above considerations and the assurances given me in your note of 9th April, which was duly and textually transmitted to my Government, I have been directed to invite this matter to your attention and to urge that appropriate steps may be taken in order that the American interest involved may be placed in as favourable a position as the Anglo-Persian Oil Company in having its application considered by the Shaikh of Kuwait.

I have, &c.,
RAY ATHERTON.
Chargé d'Affaires ad interim.

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* Enclosure in No. 137. † No. 143. ‡ Enclosure in No. 144.

C. 98026/32 [No. 110].

No. 166.

FOREIGN OFFICE to UNITED STATES CHARGE D'AFFAIRES.

(Copy received in Colonial Office, 20th September, 1932.)

SIR,

Foreign Office, S.W.1. 16th September, 1932.

I HAVE the honour to inform you that your note No. 231 of the 6th September* regarding the applications of the Eastern and General Syndicate and the Anglo-Persian Oil Company for an oil concession in Kuwait has been considered by the Departments of His Majesty's Government in the United Kingdom concerned.

2. It appears from that note that the United States company interested in the application made by the Eastern and General Syndicate have represented the situation as being as follows. They state that the Eastern and General Syndicate have not yet learnt from the Colonial Office what alterations would be required in the draft concession submitted to the Shaikh by them, in order to render it satisfactory from the point of view of safeguarding the interests of His Majesty's Government. They contend that this fact precludes the Shaikh of Kuwait from giving consideration to the Syndicate's application, but that there is nothing to prevent the Shaikh from taking a decision upon the application for a concession submitted by the Anglo-Persian Oil Company. They complain that the Syndicate are thus placed at a disadvantage in their efforts to obtain the desired concession. These contentions appear to be based upon a misunderstanding of the present position in the matter.

3. As you are aware from my note No. E 1733/121/91 of the 9th April,† His Majesty's Government decided that they could not advise the Shaikh to give preferential treatment to the Syndicate, and that any applications which might be forthcoming for a concession, should be compared in order to see which appeared to be to the best interests of the Shaikh and his principality. The Anglo-Persian Oil Company submitted to the Shaikh last month a draft of a concession; but a copy of this draft concession has only very recently been received by His Majesty's Government, and some time must elapse before a thorough comparison of its terms with those of the draft concession submitted by the Eastern and General Syndicate can be completed. The results of that examination will then be communicated to the Shaikh in order that he may reach a conclusion as to the respective merits of the two offers from the point of view of his own interests and those of his Shaikhdom. In the meanwhile, no expression of the views of the Shaikh on either proposal has yet been received by His Majesty's Government, and he is not in a position, as suggested in your note under reply, to take a decision in favour of the application of the Anglo-Persian Oil Company, since, as was stated in my note referred to above, he is bound by an undertaking given by his predecessor to grant no oil concession in his territories without the consent of His Majesty's Government.

4. It will thus be seen that the application of the Eastern and General Syndicate is receiving consideration equally and *pari passu* with that of the Anglo-Persian Oil Company and that the question of the provisions designed to safeguard the interests of His Majesty's Government, which would be required in any concession not confined to a British company, does not arise until the Shaikh has compared the two draft concessions in the light of the comments of His Majesty's Government. The American interests concerned suffer no prejudice therefore from their ignorance of the precise nature of these provisions, and His Majesty's Government for their part consider it preferable not to communicate further with either the Anglo-Persian Oil Company or the Syndicate regarding the terms of their respective draft concessions, until their own consideration of the draft concessions and consultation with the Shaikh is complete.

I have, &c.
(for the Secretary of State).
G. W. RENDEL.

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* No. 165. † Enclosure in No. 137.

C. 98026/32 [No. 112].

No. 167.

EASTERN AND GENERAL SYNDICATE, LIMITED, to COLONIAL OFFICE.

[*Answered by No.* 170.]

19, St. Swithin's Lane,
London, E.C.4, 30th September, 1932

SIR,

Kuwait Oil Concession.

WITH reference to your letter of the 24th August, 1932,* and our Chairman's interview with Mr. Parkinson and Mr. Flood, on the same date, at which Mr. Flood estimated that His Majesty's Government would have finished its comparison of the draft Concession submitted by this Syndicate together with the draft Concession submitted by the Anglo-Persian Oil Company, Limited, within a month from that date, I am directed to ask whether His Majesty's Government's comments have now been sent to the Shaikh of Kuwait.

This Syndicate's draft Concession was submitted to the Shaikh of Kuwait and the Political Agent, Kuwait, on the 26th May, 1932, and a copy was sent to you with our letter of the 10th June, 1932.† In view of the long delay, I am requested to ask that if His Majesty's Government's comments have not yet been forwarded to the Shaikh, the matter should be expedited, and that this Syndicate should be informed when you anticipate that the comments will be sent.

I am, &c.,
H. T. ADAMS,
Secretary.

C. 98019/32 [No. 33].

No. 168.

THE SECRETARY OF STATE to THE POLITICAL RESIDENT.

(Confidential.)

Downing Street, 30th September, 1932.

SIR,

I HAVE the honour to acknowledge the receipt of your Confidential despatch of the 25th of August, No. 36 of 1932,‡ forwarding a revised copy of the proposed agreement between the Anglo-Persian Oil Company and the Shaikh of Kuwait.

2. I enclose for your confidential information a copy of a note§ from the United States Embassy in London to the Foreign Office, together with the reply‖ which has been returned. From this reply you will see that the two draft concessions submitted by the Anglo-Persian Oil Company and by the Eastern and General Syndicate are at present being examined with a view to a thorough comparison of their terms, and that it is proposed to communicate the result of that examination to the Shaikh of Kuwait in order that he may reach his own conclusion as to the respective merits to the two offers. Pending the conclusion of such examination, which must of necessity occupy some time, I am of opinion that it would be inadvisable that the terms of the concessions should be discussed with either of the applicants, either in London or by you or the Political Agent at Kuwait, and I suggest for your consideration that the Shaikh of Kuwait should be advised in the same sense.

3. As soon as I am in a position to do so, I will address a further despatch to you containing the comments of His Majesty's Government on the two drafts.

I have, &c.,
P. CUNLIFFE-LISTER.

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* No. 156. † No. 143. ‡ No. 160. § No. 165. ‖ No. 166.

C. 98019/32 [No. 38].

No. 169.

INDIA OFFICE to COLONIAL OFFICE.

India Office, Whitehall,
London, S.W.1, 3rd October, 1932.

SIR,

IN reply to your letter of 13th September,* on the subject of the application submitted by the Anglo-Persian Oil Company for the grant of an oil concession in Kuwait, I am directed to forward, for the information of the Secretary of State for the Colonies, a note containing certain criticisms and suggestions on the draft concession which has been put forward by the Anglo-Persian Oil Company. Sir Samuel Hoare would suggest that if no objection is seen, the points to which attention is now drawn should be considered in connexion with the communication ultimately to be made to the Resident for transmission to the Shaikh of Kuwait.

2. As will be seen, the memorandum in question does not deal with the point which is likely to be of principal interest to the Shaikh, viz., the financial aspect of the proposed concession. *Prima facie*, the offer made by the Anglo-Persian Oil Company would on the whole appear to be more satisfactory from the point of view of the Shaikh than that which has been put forward by the Eastern and General Syndicate. It is for consideration whether, when the time comes to make a communication to the Shaikh, the best procedure might not be (1) to give him a brief summary and comparison of the financial advantages which he might expect to derive under the rival agreements, and (2) to suggest that, when he has made his choice between the competing companies, he should make a grant of a concession subject to the agreement presented by the successful competitor being so amended as to cover such points as His Majesty's Government might, for whatever reason, recommend him to insist on.

3. Copy of this letter is being sent to the Foreign Office, Petroleum Department and Admiralty.

I am, &c.,
J. C. WALTON.

Enclosure to No. 169.

INDIA OFFICE COMMENTS ON DRAFT CONCESSION PRESENTED BY THE ANGLO-PERSIAN OIL COMPANY TO THE SHAIKH OF KUWAIT, ENCLOSED IN BUSHIRE DESPATCH No. 36 OF 25TH AUGUST, 1932, TO THE COLONIAL OFFICE.

Preamble. No comments.

Article 1. It seems desirable, as proposed by the Resident, to except both Bandar Shwaik and also the possible cantonment area near Ras-el-Ardh. Subject to the observations of the Petroleum Department, it is perhaps unnecessary to impose any limitation on the depth of boring during the period of exploration.

Article 2. No comment.

Article 3. The whole area of Kuwait is over 20,000 square miles. It is perhaps desirable, subject to the views of the Petroleum Department, to specify particular areas for drilling.

Article 4. As the Shaikh has himself asked for a 70-year lease and this is the period of the concession granted to the Eastern and General Syndicate in Bahrein, no objection need perhaps be taken.

Article 5. (*a*) It seems important, as suggested by the Resident, to make provision for the revision of royalties and to give the Shaikh facilities to check the production by inspecting the Company's books or otherwise.

(*b*) It may be desirable to limit further the delay which may elapse before the Company declare that petroleum has been found in commercial quantities. Under Article 12 of the draft Agreement they are required to make such declaration not later

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* No. 162.

than 1941, or surrender their rights under the Agreement. But this date appears unduly remote and it seems desirable to bring it nearer—perhaps 1937

(*c*) Third line from end. Presumably in the event of a dispute between the Company and the Shaikh, as to whether events resulting in the interruption of the Company's operations were or were not outside the control of the Company, the matter would go to arbitration. If, however, this part of Article 5 is not common form perhaps the Petroleum Department would suggest some form of words which would more adequately safeguard the Shaikh's interests.

Article 6. (*a*) Perhaps the Petroleum Department would confirm the Resident's assumption that as the Anglo-Persian Oil Company are a British company " presumably in the case of war or other emergency His Majesty's Government could control the Company's activities." Perhaps they will also advise as to the desirability of specifically inserting in this Article (or elsewhere in the Agreement) any of the safeguards proposed by the Board of Trade and set out in the Cabinet Paper No. 20 (32) dated 6th April, 1932.

(*b*) If the suggestion above as to the wording of Article 1 is accepted, Bandar Shwaik and the Ras-el-Ardh cantonment area will fall outside the scope of the concession. It is perhaps desirable to make this clear in the wording of the Article and also to make the rights granted under its first sentence to the Company subject to the provisions of Article 9.

(*c*) The last sentence of the paragraph seems unduly wide. Perhaps the Petroleum Department would advise whether it represents common form.

Article 7. There seems a good case for requiring the Anglo-Persian Oil Company to agree to payment of an export duty of 1 per cent. on oil and its products, as also to duty on all articles imported for personal use of its employees. There is no real reason why they should be granted so wide an exemption as they suggest, and the Eastern and General Syndicate are, of course, prepared to meet the Shaikh on this point.

Article 8. No comments.

Article 9. Presumably only unoccupied land is meant to come under the first sentence of this Article, and no harm would be done by the insertion in line 2 after " all " of the word " unoccupied."

Article 10. This again raises the question of exemption from export and import duties referred to in connexion with Article 7.

Article 11. Paragraph 2. Second sentence. ? insert after the word " Shaikh " the words " as shown to the satisfaction of the Political Resident."

Article 12. (*a*) Last sentence. The period which may elapse before a declaration is made might be shortened—see the comment on Article 5 above.

(*b*) After " terminate " a provision might be added that the properties, buildings, &c., of the Company shall become the property of the Shaikh.

Article 13. It seems desirable to define a British Company as suggested by the Resident in the terms proposed in Colonial Office despatch Confidential of 13th March, 1930.

Article 14. Line 2. Read " the drilling period " as proposed by the Resident.

Article 15. In the interests of expediting arbitration, in the unfortunate event of a case having to be disposed of in this manner and of preventing disputes, would it be preferable to provide that the umpire shall be appointed by the Political Resident?

General. It seems desirable to provide, as in the case of the Eastern and General Syndicate's concession in Bahrein, that the Company shall maintain a Chief Local Representative in Kuwait; that all communications with the Kuwait authorities shall be made through this representative to the Political Agent and that the Company's representatives and the Shaikh shall not deal direct with one another.

C. 98026/32 [No. 114].

No. 170.

COLONIAL OFFICE to EASTERN AND GENERAL SYNDICATE LIMITED.

SIR, Downing Street, 14th October, 1932.

I AM directed by Secretary Sir Philip Cunliffe-Lister to refer to your letter of the 30th September* regarding the application of the Eastern and General Syndicate Limited for the grant of an oil concession in Kuwait, and to inform you that detailed examination of the draft concessions submitted by your Syndicate and the Anglo-Persian Oil Company has not yet been completed.

2. I am, however, to remind you that, before any decision can be reached the results of the examination must be submitted to the Shaikh of Kuwait in order that he may reach a conclusion as to the respective merits of the two offers from the point of view of his own interests and those of his principality.

I am, &c ,
J. E. W. FLOOD.

C. 98019/32 [No. 40].

No. 171.

ADMIRALTY to COLONIAL OFFICE.

(Confidential.)

SIR, Admiralty, S.W.1, 15th October, 1932.

WITH reference to your letter of 13th September, 1932,† concerning the application of the Anglo-Persian Oil Company for the grant of an oil concession in Kuwait, I am commanded by My Lords Commissioners of the Admiralty to offer the following observations for the consideration of the Secretary of State for the Colonies.

2. My Lords consider it desirable that clauses should be inserted in the Agreement specifying that a percentage of the oil won should be refined in Kuwait territory, that the plant should be capable of producing fuel oil suitable for Admiralty use, and that His Majesty's Government should have the right of pre-emption in war.

3. They further consider that if the Anglo-Persian Oil Company elect to refine all the Kuwait oil at Abadan and Swansea, this would be a disadvantage to the Shaikh as compared with an Eastern and General Syndicate agreement in which the " safeguards " would have been included; and, further, that it would be of advantage to the Admiralty in emergency to have fuel oil available at Kuwait, which is slightly nearer the main sea line of communication to the East than is Abadan, and also less liable to interruption.

4. My Lords believe that a precedent for imposing these safeguards on a British Company operating in British controlled territory exists in the Trinidad Leaseholds Agreement.

5. Copies of this letter have been sent to the Petroleum Department, the Foreign Office, and India Office.

I am, &c.,
J. S. BARNES.

C. 98026/32 [No. 121].

No. 172.

FOREIGN OFFICE to PETROLEUM DEPARTMENT.

(Copy received in Colonial Office, 4th November, 1932.)

[*Answered by No.* 173.]

SIR. Foreign Office, S.W.1, 3rd November, 1932.

WITH reference to the letter No. E 5401/121/91 of the 19th October from this department, I am directed by Secretary Sir John Simon to transmit to you the accompanying copy of a memorandum on the subject of the proposed Oil Concession in

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* No. 167. † No. 162.

Kuwait, which was left at this Department by the United States Ambassador on the 2nd November.

2. In doing so, Mr. Mellon recalled that he had been informed on the last occasion on which he had mentioned this matter that steps would be taken to expedite the examination of the draft concessions submitted by the Eastern and General Syndicate and the Anglo-Persian Oil Company. Sir John Simon considers it most unfortunate that it was impossible to inform Mr. Mellon that any progress had been made in the matter. It was in fact clear that an impression of deliberate dilatoriness and indeed of duplicity on the part of His Majesty's Government had been created, since it was also impossible to give Mr. Mellon any adequate explanation of the delay in completing the comparison of the two draft concessions, both of which have now been in the possession of His Majesty's Government for a considerable time.

3. The Secretary for Mines will no doubt appreciate that the unfortunate atmosphere created at such an interview may well have important repercussions on questions of major political importance under discussion with the Ambassador. Sir John Simon trusts that the examination by the Petroleum Department of the two draft concessions will be completed by the end of this week, in order that a similarly embarrassing position may not arise in this matter when Mr. Mellon next reverts to the subject, as he may well do in the immediate future.

4. Copies of this letter are being sent to the Colonial Office, India Office, and the Admiralty.

I am, &c.,
G. W. RENDEL.

Enclosure in No. 172.

MEMORANDUM OF CONVERSATION.

IN a note from the British Foreign Secretary, dated 9th April, 1932 (No. E 1733/121/91), regarding an application of the Eastern and General Syndicate, Limited, for an oil concession in Kuwait, reference is made to the extended period of time that oil companies have been interested in oil lands in Kuwait.

The Eastern and General Syndicate initiated and carried on negotiations with the Shaikh of Kuwait for an oil concession in his Principality with the knowledge and approval of the British Government, but it was not until after American interests became associated in the venture with the Syndicate in 1927 that the British Government required (in 1928) the inclusion in the concession agreement of a " nationality clause," which clause would have the effect of excluding any but purely British interests from exploiting such a concession.

Thus the Syndicate for years prior to 1927 and in agreement with American interests since 1927 has continuously endeavoured to obtain a concession in Kuwait very similar in principle to a concession which, with the knowledge of the British Foreign Office, had been granted to the Syndicate in the Bahrein Islands.

Last December American interest in the Kuwait concession formed the basis of representations by the American Ambassador to the British Secretary of State for Foreign Affairs. In referring to these representations, the Foreign Office note of 9th April, mentioned above, stated that " His Majesty's Government for their part are prepared to agree to the omission from any oil concession, which the " Shaikh may be prepared to grant, of a clause confining it to British interests . . . . . "

On 6th September, 1932, however, the American Embassy, in a note to the Foreign Office urged that early appropriate steps might be taken, that this statement become effective, and that the American interests involved might be placed in as favourable a position as a British oil company in having its application considered by the Shaikh of Kuwait. In acknowledging this note of 6th September, a Foreign Office note in reply stated : " His Majesty's Government decided they could not advise the Shaikh to give *preferential* treatment to the Eastern and General Syndicate." In the opinion of the Department of State, some misunderstanding may exist in the mind of the British Government in this connexion, since no preferential treatment has been asked for American interests, nor has any been granted.

It may be recalled that the American Ambassador, in discussing the Kuwait Oil Concession with Sir John Simon last December, pointed out that the Eastern and General Syndicate had initiated and carried on its negotiations with the Shaikh with the knowledge and approval of the British Government; that the Syndicate had offered the Anglo-Persian Oil Company the opportunity, over six years ago, to interest itself in the Kuwait Oil Concession, which opportunity that company declined; that according to his information it was only after efforts to interest the Anglo-Persian Oil Company and other British groups in the said concession that the Syndicate sought to interest and, in November, 1927, succeeded in interesting the American company since then associated with it in the venture; that it was after these American interests became associated with the Syndicate in 1927 that the British Government in 1928 insisted upon the inclusion of a " nationality clause " which for a period of several years from that date had prevented the Syndicate from consumating with the Shaikh the concession it sought. Since the withdrawal of the Anglo-Persian Oil Company in 1926, it is only, I understand, during this last year (1931-1932) of the Eastern and General Syndicate's negotiations that the Anglo-Persian Oil Company (in October, 1931) manifested further interest in Kuwait. On the contrary, the Syndicate has been conducting its negotiations with unceasing activity for many years. It may also be recalled that it was not until April of this year that the British Government reached any decision to the urgent representations initiated by the American Ambassador in the latter part of last year.

In a most recent Foreign Office note it was stated that the Anglo-Persian Oil Company submitted a draft concession for consideration in August last, and study of this Anglo-Persian draft will necessitate further and considerable delay in His Majesty's Government reaching any conclusion regarding the draft concession which subsequent to receipt of the Foreign Office note of 9th April, 1932, the Eastern and General Syndicate submitted to the Shaikh on 26th May, thus renewing its application for the Kuwait Oil Concession which, as above indicated, it has been negotiating in association with American interests unremittingly for many years.

With reference to representations made by the American Ambassador to the Foreign Secretary in December, it may be well to draw attention to General Dawes's letter to Sir John Simon of 22nd December, pointing out the Mining Lease Act of 25th February, 1920, regarding lands under which British subjects are given the same treatment as American citizens. The text of this letter reads as follows :—

" My dear Sir John, London, 22nd December, 1931.

" In furtherance of my remarks to you the other day regarding the Kuwait oil concession, I venture to set forth below the pertinent section of the United States Mining Lease Act of 25th February, 1920, under which you will notice that British subjects receive the same treatment as American citizens :—

" ' (Public—No. 146—66th Congress.)
" ' (S. 2775.)

" ' An Act to promote the mining of coal, phosphate, oil, oil shale, gas and sodium on the public domain.

" ' Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That deposits of coal, phosphate, sodium, oil, oil shale, or gas, and lands containing such deposits owned by the United States, including those in national forests, but excluding lands acquired under the Act known as the Appalachian Forest Act, approved 1st March, 1911 (Thirty-sixth Statutes, page 961), and those in national parks, and in lands withdrawn or reserved for military or naval uses or purposes, except as hereinafter provided, shall be subject to disposition in the form and manner provided by this Act to citizens of the United States, or to any association of such persons, or to any corporation organized under the laws of the United States, or of any State or Territory thereof, and in the case of coal, oil, oil shale, or gas to municipalities: Provided, that the United States reserves the right to extract helium from all gas produced from lands permitted, leased or otherwise granted under the provisions of this Act, under such rules and regulations as shall be prescribed by the Secretary of the Interior: Provided further, that in the extraction of helium from gas produced from such lands, it shall be so extracted as to cause no substantial delay in the delivery of gas produced from the well to the purchaser thereof: And provided further, that citizens of another country, the laws, customs, or regulations of which, deny similar or like privileges to citizens or corporations of this country, shall not by stock ownership, stock holding, or stock control, own any interest in any lease acquired under the provisions of this Act.'

" In discussing this with the representative of the interested company here, he informed me that the Syndicate concerned has already advised the Colonial Office that the same nationality conditions as incorporated by the Colonial Office

in the case of the Bahrein oil concession, which the Embassy discussed with the Foreign Office in 1929 (reference : Foreign Office note No. E 2521/281/91 of 29th May, 1929), are acceptable in the case of the Kuwait concession. I understand the Bahrein concession was assigned to the Bahrein Petroleum Company, the Canadian subsidiary of the Standard Oil Company of California. In this connexion a statement to me by the Syndicate representative may be of interest to you :—

> " 'The agreement entered into between the Eastern and General Syndicate, Limited, with the Eastern Gulf Oil Company stipulates that the nominee of the Eastern Gulf Oil Company will be a Canadian or English corporation, at the election of the Eastern Gulf Oil Company. A copy of this agreement has been in the possession of the Colonial Office (in its consideration of the Kuwait oil concession) since 28th December, 1928, the same having been furnished to the Colonial Office by the Eastern and General Syndicate, Limited.'
>
> " As stated to you the other day, the discussions have been so long delayed that I should be most appreciative of an early word of reply.
>
> Yours sincerely,
> (Signed) CHARLES G. DAWES."

In conclusion, it may be realized from the above facts that for more than four years American interests, in agreement with the Syndicate, have been seeking to obtain an oil concession in Kuwait, and for approximately the last year of that time representations have been made by the American Embassy, seeking for its nationals in this matter such opportunities as British subjects receive in the United States. In this connexion, the American Embassy pointed out only recently that opportunity to American interests seems to be obstructed by the arbitrary decision of His Majesty's Government, as set forth in the Foreign Office note to this Embassy on 16th September, containing a refusal to inform the Eastern and General Syndicate at this time whether that portion of the draft concession submitted by it (namely, Clause 8) was satisfactory from the point of view of safeguarding the interests of His Majesty's Government, and, if not, to state wherein the said conditions failed to satisfy in safeguarding the interests of His Majesty's Government.

The Department of State has therefore instructed the American Embassy to review the facts with the Foreign Office and to request that this matter. which has been delayed for over a period of four years, may be expedited by the British authorities to the end that such action may be taken as will permit the Shaikh now to come to a decision.

C. 98026/32 [No. 122].

No. 173.

PETROLEUM DEPARTMENT to FOREIGN OFFICE.

(Copy received in Colonial Office 8th November, 1932.)

SIR, 5th November, 1932.

I AM directed by the Secretary for Mines to refer to your letter of 3rd November,* enclosing copy of a memorandum presented by the United States Ambassador on 2nd November, relative to the negotiations which have been taking place for the grant of oil concessions in Kuwait, and to offer the following observations for the information of Secretary Sir John Simon.

In view of the statements contained in the above memorandum, the Secretary for Mines considers it desirable to place on record the facts regarding the negotiations, as disclosed by an examination of the earlier correspondence and despatches from the Political Resident in the Persian Gulf.

(1) The Anglo-Persian Oil Company were the first Company to take an active interest in the oil prospects of Kuwait, and as long ago as 1917 they carried out a preliminary examination in Kuwait and Bahrein and applied formally for the grant of petroleum rights in the territories of the Shaikhs of Kuwait and Bahrein. For various reasons these negotiations were not brought to a satisfactory conclusion, and the Anglo-

* No. 172.

Persian Oil Company has more than once suggested that if they had received a little more help at that time from the Government Departments concerned the Eastern and General Syndicate would never have become interested in these territories. The Anglo-Persian Oil Company has represented that at the request of His Majesty's Government they had agreed not to approach the Shaikhs directly, but to negotiate only through the Political Resident in the Persian Gulf. Major Holmes, however, on behalf of the Eastern and General Syndicate obtained promises of concessions from the Shaikhs of Bahrein and Kuwait by approaching them personally, with the result that the Anglo-Persian Oil Company forfeited their chance of obtaining concessions, while a lengthy correspondence was taking place between the Government Departments concerned, the Government of India, the Political Resident in the Persian Gulf and the High Commissioner for 'Iraq.

(2) In 1925, Major Holmes, acting on behalf of the Eastern and General Syndicate (which was then purely a British Company) made certain proposals to the Shaikh in regard to the grant of a concession which were not, however, acceptable to him. The Anglo-Persian Oil Company also continued to negotiate without success.

(3) In March, 1926, the Eastern and General Syndicate commenced operations (by arrangement with the Shaikh) to drill for *water* in Kuwait, and undertook to sink two wells within the area surrounded by the town wall of Kuwait. After several failures the first well reached a depth of 700 feet without striking water. It was apparently as the result of information disclosed by these water-boring operations that the interest of the Syndicate in the oil prospects of Kuwait was further stimulated. (It should be noted that these operations had nothing ostensibly to do with prospecting for oil, the Shaikh having refused to grant to Major Holmes an oil-prospecting licence.)

(4) In September, 1928, however, Major Holmes, with the permission of the Political Resident, again approached the Shaikh for the grant of an oil concession, and submitted a draft agreement.

(5) In November, 1928, it was realized that the point concerning a British Control Clause had been overlooked in the Bahrein Concession, and the Eastern and General Syndicate were informed that in any concession in Kuwait which might be granted, a British Control Clause must be inserted similar to that imposed in the case of British Companies operating in British Crown Colonies. No question of American participation had, up to this time, arisen and the suggested inclusion of the nationality clause was in fact put forward partly as a precautionary measure in order to bring the concession into line with British practice in other oil-producing territories (such as India and Trinidad), and partly because the Shaikh of Kuwait expressed himself as being unwilling to grant a concession to any Company which was not under British control. It was not until 19th December, 1928, that the Syndicate informed the Colonial Office that they had concluded agreements with the Eastern Gulf Oil Company, under which they assigned to that Company such rights as they possessed to explore the territories which they were interested in, with options to form Companies under British or Canadian Laws to acquire, and work any territories taken up under the terms of their options.

(6) In March, 1929, the Political Resident reported that Major Holmes had arrived in Kuwait and left for Baghdad, but that apparently he had not renewed with the Shaikh the negotiations for an oil concession.

(7) In August, 1930, the Eastern and General Syndicate drew up a second draft concession, which they forwarded to the Colonial Office, asking that it might be discussed with the Directors of the Syndicate and Major Holmes in London. The Colonial Office replied that before the matter of the concession could be discussed it would be necessary to consult the other interested Government Departments, and also the Political Resident in the Persian Gulf. In the meantime Major Holmes had written to the Political Agent at Kuwait stating that the proposed British Control Clause was causing much difficulty with the Company's American Associates, and that it was their intention to take up the question of modifying it with a view to making it conform with the modified form of British Control Clause, which had by that time been incorporated in the Bahrein Agreement. The Shaikh of Kuwait on the other hand is understood to have informed the Political Resident that under no circumstances would he agree to a concession being transferred to an American Company, and to have been insistent that the nationality clause should be inserted and the concessionaires remain British. This attitude of the Shaikh accorded with the policy of the Government of India, who were entirely opposed to the entry of United States interests into the area of the Persian Gulf.

(8) In August, 1931, the Anglo-Persian Oil Company, largely on account of representations made to them by the Petroleum Department, renewed their application in regard to Kuwait and announced their readiness to make a further geological examination, which was subsequently carried out.

(9) It was not until December, 1931, that any representations were made by the United States Government.

Some of these points were set out in the Foreign Office Note of 9th April, 1931 (E. 1733/121/91),* which was sent to the United States Government.

It will be seen from the above summary what while it may be true that for some four years the Eastern and General Syndicate have been endeavouring to obtain a concession in Kuwait, British interests have been negotiating for very much longer, and without any greater success.

At a Conference held at the Colonial Office on the 1st January, 1932, the representative of the Foreign Office agreed that provided the Anglo-Persian Oil Company were serious in their intentions as regards Kuwait it would be as well to keep the position open for the present as far as the United States was concerned.

As regards the complaint of delay in completing the comparison of the two draft concessions referred to in your letter, the Secretary for Mines desires to point out that it is not the case that no progress has been made in the matter. A critical examination of the Eastern and General Syndicate's draft had already been prepared in the Petroleum Department when the Anglo-Persian Oil Company's draft concession was received. It was agreed, however, at a Departmental Conference that it would be advisable to defer sending this until a comprehensive statement could be drawn up, comparing the relative merits of the two drafts. In point of fact, the Anglo-Persian Oil Company's draft was not received in the Petroleum Department until 14th September, at a time when, as it happened, the staff of the Department was depleted by illness, and many other more urgent questions had to be dealt with. It cannot be accepted, moreover, that the delay of four years, to which Mr. Mellon refers, can be attributed to the Petroleum Department, and it would be futile to suggest that a delay of a few weeks in comparing the terms of the draft concessions has in any way prejudiced the Eastern and General Syndicate or the Anglo-Persian Oil Company.

The points involved in considering the draft concessions raise technical questions of some difficulty, but the Secretary for Mines hopes to be in a position to submit a statement comparing the two draft concessions within the next few days.

A copy of this letter is being sent to the Colonial Office, India Office and Admiralty.

I am, &c.,
F. C. STARLING
(Director).

C. 98026/32 [No. 123].

No. 174.

PETROLEUM DEPARTMENT to COLONIAL OFFICE.

Dean Stanley Street, Millbank, Westminster,
London, S.W.1, 9th November, 1932.

SIR,

WITH reference to the recent interdepartmental discussions which have taken place in regard to the grant of oil concessions in Kuwait, I am directed by the Secretary for Mines to enclose for the information of Secretary Sir Phillip Cunliffe-Lister copy of a memorandum which has been prepared in the Petroleum Department comparing the draft concessions submitted by the Eastern and General Syndicate and the Anglo-Persian Oil Company.

I am, &c.,
F. C. STARLING,
Director.

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* Enclosure in No. 137.

Enclosure in No. 174.

MEMORANDUM BY PETROLEUM DEPARTMENT.

THE attached document has been prepared in the Petroleum Department comparing the more important provisions of the draft concessions submitted to the Shaikh by the Eastern and General Syndicate and the Anglo-Persian Oil Company. Particulars have been added of certain provisions in addition to those covered by the comparison which it is suggested ought to be included in any concession.

When the Shaikh has decided which of the applications he would wish to accept it will be necessary to give further consideration to the draft of the successful applicant. There are certain points raised by the Political Resident and the India Office, such as the exclusion of certain areas, facilities for imports, questions of telegraphs, railways, &c., as well as certain drafting amendments, which can be more conveniently dealt with when the larger question has been disposed of.

Some of the more important points raised on the draft of the Eastern and General Syndicate by the Government of India in their letter of the 15th April last (F.282/N/28) have been dealt with in the comments on the terms offered by the two applicants. Two of these are the question of the area of the concession and the period for which the concession should be granted. In the view of the Petroleum Department it is necessary to draw a distinction between a country such as Kuwait, where conditions are very difficult, facilities are few, and there is no guarantee that oil in commercial quantities will be found, and a country like India where oil has been proved, and there is a market near at hand to absorb the whole of the production, while in addition there is in existence a Government organization which is responsible for seeing that the policy of the Government in regard to oil development is carried out. With the existing organization of the oil industry on the basis of large corporations the tendency is for applicants for concessions to seek large areas for development, and such security of tenure as will enable them to obtain over a period of years a reasonable return on the heavy capital expenditure which oil development entails. So long as there are reasonable arrangements in regard to royalty payments it is in the interests of the State which owns the mineral rights that such a tendency should be encouraged. There is no doubt that much waste has resulted in the past in countries which have allowed undue competition between rival concerns.

The Government of India also suggested that the minimum royalty offered by the Eastern and General Syndicate was quite inadequate. Here again it would be very difficult for His Majesty's Government to suggest to the Shaikh that he should stand out for a higher minimum.

In a letter of the 6th October, 1930, the Political Resident suggested that the minimum of Rs. 70,000 offered by the Eastern and General Syndicate was too low and that a minimum of Rs. 100,000 should be insisted on. This sum has now been offered by the Anglo-Persian Oil Company. It may be that rather than run the risk of losing the concession both applicants would be prepared to offer rather more than they have done but it would only increase the difficulties which already exist in dealing with these two applications if any attempt were to be made to start them bidding one against the other.

The question of the declaration that oil has been found in commercial quantities is obviously an important one. The India Office in their letter to the Colonial Office of the 3rd October have suggested that in place of 1941 the Anglo-Persian Oil Company might be pressed to agree to say 1937. There may be room for compromise on this point, but 1937 would only allow a period of five years and the Eastern and General Syndicate require that period for exploratory work.

It is considered that in the first instance this matter should be left to the Shaikh and the Company to which he decides to grant the concessions. If the Shaikh consults the Political Resident on the point it is suggested that his advice should not go beyond indicating that something rather better than 1941 might be asked for.

The Petroleum Department has included in the general provisions which should be contained in any concession which may be granted two which relate respectively to pre-emption during an emergency and refining a proportion of the oil in Kuwait, or British Territory. It is suggested however that it would be preferable to omit these at this stage from the memorandum which is submitted to the Shaikh and to deal with these points when putting forward the safeguards required by His Majesty's Government.

DRAFT OF MEMORANDUM FOR SUBMISSION TO THE SHAIKH SHOWING A COMPARISON BETWEEN DRAFT CONCESSIONS SUBMITTED BY THE EASTERN AND GENERAL SYNDICATE AND THE ANGLO-PERSIAN OIL COMPANY.

Note.—The comparison is made between the *third* draft submitted by the Eastern and General Syndicate in June, 1932, and the *first* draft submitted by the Anglo-Persian Oil Company in August, 1932.

Eastern and General Syndicate.	*Anglo-Persian Oil Company.*
Period: 70 years (5 years of which are stated to be for exploratory work and selection of areas).	*Period*: Exploration 2 years. Test drilling 2 years. Lease 70 years

Comment.

Exploration and Prospecting.

Whichever Company is granted the Concession will find it necessary to carry out exploratory work, as the geology of the country is much obscured by superficial surface deposits. The Eastern and General Syndicate refer rather vaguely to " exploratory work " by geologists and engineers, which they undertake to begin within 9 months of the date of the Concession, failing which the Shaikh may cancel the Concession. Nothing is said as to drilling and the Syndicate require a period of 5 years for their exploratory work.

The Anglo-Persian Oil Company ask for a maximum period of two years for exploratory work, which will be reduced if they undertake drilling within that period, to be followed by a maximum period of two years, during which they undertake to drill at least 4,000 feet.

Period of Lease.

As regards the period of Lease both companies ask for approximately the same terms. In the case of a country such as Kuwait, where the existence of oil has not been proved, it is considered desirable that the period of lease should be a long one The work of proving and developing an oilfield involves very heavy capital expenditure and companies are not likely to be attracted unless there is a guarantee of their being able to obtain a long period in which they may have an opportunity of securing a return on the money expended. There are precedents for such a period as is now asked for in 'Iraq, where the period granted by the 'Iraq Government is 75 years, in Persia, where the period is 60 years, and in Bahrein, where a similar period is provided for. In his letter of the 25th August, 1932 (36/1932), the Political Resident mentions that he understands that the Shaikh himself asked for a period of 70 years.

Area: The right to explore the whole territory of Kuwait and select an area for ultimate development not exceeding 1,640 square miles divided into six or more blocks.	*Area*: The draft agreement covers the whole of Kuwait territory for the whole period of the Concession.

Comment.

The Anglo-Persian Oil Company's draft Concession provides for the grant of the whole of the area of Kuwait, for the period of the Concession. On the other hand, the Eastern and General Syndicate provide for the selection within 5 years of an area amounting in the aggregate to 1,640 square miles, this area may be divided up into *six or more* blocks, and by such an arrangement they presumably hope to secure all promising oil bearing territory which is worth having. The value of their proposal to limit their activities to 1,640 square miles is, therefore, more apparent than real.

There would appear to be definite advantages in having the whole of this rather limited territory developed by one Company of good standing Competitive development of an oilfield by two or more companies seldom produces the best results, as it tends to lead to unnecessary loss of gas pressure and premature exhaustion of the field, as has been the case in many fields in the United States. The operations of the Anglo-Persian Oil Company in Persia are generally accepted as being in accordance with the best modern practice of unit development.

It may be mentioned that in the case of 'Iraq there was in the original Concession a provision for the selection of areas. So much difficulty arose in regard to this matter that the 'Iraq Government agreed in the revised Concession granted last year, to accept

the 'Iraq Petroleum Company's proposal for the grant to them of exclusive rights over a large area amounting to about 36,000 square miles, or nearly twice the area of Kuwait.

Incidentally, the Eastern and General Syndicate refer to the area to be reserved to them as " Conceded Territory." There are obvious objections to the use of such a term and this should be replaced by " Leased Area."

Working Obligations: The Concession to become void unless the Company has commenced exploratory work within a period of 9 months from the date of the Concession. If, after commencing operations, following the exploratory period of 5 years, the Company discontinue the same for a continuous period of 2 years, the Shaikh shall have the right to cancel the Agreement.	*Working Obligations*: After a maximum period of 2 years for exploration, the Company undertake within a period of 2 years to drill in a workmanlike manner a total depth overall of at least 4,000 feet. If the Company fails to carry out its obligations, or to make the necessary payments, the Shaikh has the power to terminate the Agreement.

Comment.

Nothing is said in the Eastern and General Syndicate's draft Concession as to drilling obligations, and as the draft now stands they would have carried out these obligations if they only did surface and shallow geological drilling. It may be suggested that they will have to do such work as will enable them to select their areas, but as the comment on this question indicates they can select any number of blocks in choosing their 1,640 square miles.

In Bahrein the Eastern and General Syndicate obtained a concession in 1925. This provided for an exploration period of 2 years and a Prospecting period of 2 years, subject to extensions. In 1927 the Syndicate assigned their rights to American interests, and they have not yet taken up a Mining Lease. They have recently applied for a further extension of the prospecting period and have only recently begun work on a second well.

On the other hand, to undertake to drill at least 4,000 feet overall in a period which under the terms of the draft cannot exceed 4 years, and may be less, the Anglo-Persian Oil Company does give an indication of serious endeavour to prove oil.

Further, the provision in the Eastern and General Syndicate's draft that they may discontinue operations for continuous periods up to two years before they run the risk of losing their Concession is unusual, and hardly indicates an intention to carry on exploitation as speedily as possible. A provision of this kind is included in some oil concessions, but six months is a much more usual period, although a period up to 12 months is sometimes provided for.

Payments: On signature of the Agreement Rs. 30,000. *Annually thereafter* Rs. 20,000, until the Company declares that oil has been found in commercially exploitable quantities, when tonnage royalty begins to operate. Royalty Rs. 3-8 annas per ton of oil won, with minimum of Rs. 70,000 in any complete calendar year in which the Company continues work. The question of commercial exploitation to be referred to arbitration in the event of dispute.	*Payments: On signature of the Agreement* Rs. 50,000, and a year later Rs. 20,000. On commencement of drilling Rs. 25,000 per annum and a similar sum annually thereafter until the Company declares that petroleum has been found in commercial quantities and quality, when payments will be as follows :— A royalty of Rs. 2-10 per ton of petroleum, subject to the following payments. During the first year Rs. 50,000 plus any royalty accrued with minimum payment of Rs. 65,000; during the second year a minimum of Rs. 80,000 and annually thereafter a minimum of Rs. 100,000; unless operations are interrupted through causes outside control of Company, when payment

will continue at annual rate of Rs. 25,000.

If the Company fail to make a declaration as to commercial production by a date in 1941 to be specified, the Shaikh to have power to call upon the Company either to make the declaration forthwith—or to lose the Concession.

Comment.

It will be seen that the Anglo-Persian Oil Company offer a higher amount on signature of the Concession, and a higher annual amount when they commence drilling (which must happen within two years of signature of the Concession). Except for the first year after the declaration that oil has been produced in commercial quantities, their minimum royalty is also higher than that offered by the Eastern and General Syndicate. It will also be observed that the Anglo-Persian Oil Company must make a declaration by a date to be specified in 1941, that oil has been found in commercial quantities or surrender the Concession. In the Eastern and General Syndicate's draft this question has to be settled by arbitration. Bearing in mind the absence of any specific drilling obligations during the period of five years provided by the Eastern and General Syndicate's draft for the exploration period, it seems unlikely that there would be much prospect of taking the Syndicate to arbitration at an earlier date than that by which the Anglo-Persian Oil Company must make their declaration.

After the declaration that commercial production has been obtained the Syndicate offer a tonnage royalty of 3 Rs. 8 annas per ton and the Anglo-Persian Oil Company a royalty of 2 Rs. 10 annas. To decide which of these is better in the interests of the Shaikh depends on the production which is likely to be secured. And here the amount of the minimum royalty is important. Generally speaking, the Company with the higher minimum royalty will have the greater inducement to produce oil. It may also be said that too high a tonnage royalty may retard production, and here the provision in the Eastern and General Syndicate's draft, allowing a cessation of operations should not be lost sight of. The rate of royalty offered by the Eastern and General Syndicate is the same as that in India but there there is a local market to absorb all the production. The rate offered by the Anglo-Persian Oil Company is approximately the same as that levied by the 'Iraq Government.

In Venezuela the rate of royalty is understood not be exceed 2s. a ton in most instances, while in Trinidad there are many leases with a royalty of from 1s. 6d. to 2s.; although in recent years a royalty of 3s. has been imposed. In the case of both these countries, over 90 per cent. of the oil has to be exported.

Customs Duty: The Company undertake to pay the Shaikh a Customs Duty of 1 per cent. on all oil produced from Kuwait territory, calculated on the value of the oil at the wells.

Customs Duty: No similar provision

Comment.

It is not usual to impose a Customs Duty in addition to royalty. Such a charge might with some justification be levied in a country where the State does not own the mineral rights and desires to secure some financial consideration for the loss of a wasting asset such as petroleum. But where the State is the owner of the minerals it is regarded as preferable that the State should take the whole of its financial return in the shape of royalty. Apart from the principle involved there is bound to be some difficulty in assessing the value of the oil for purposes of the duty, whether at the well head, or port of shipment. There are some cases in which royalty is charged on the basis of a percentage of the value of the oil won, and endless difficulty has arisen in finding a satisfactory method of determining the value In Trinidad, where the Government owns the greater part of the minerals and the question has been thoroughly considered, the idea of an export tax has been definitely abandoned as unsuitable.

British Control Clause: Ownership of Concession may be transferred or rights sold to another Company, provided that

British Control Clause: With the approval of the Shaikh acting on the advice of the Political Resident the Company may

(*a*) the Company shall be one organized and registered either in Great Britain or Canada with an office in Great Britain at all times in charge of a British subject; (*b*) of the five Directors of the Company, one Director shall at all times be a British subject who shall be acceptable to His Majesty's Government; (*c*) the Company shall at all times maintain in the region of the Persian Gulf an official called the Chief Local Representative of the Company, whose appointment shall be approved by His Majesty's Government; (*d*) as many of the employees of the Company as is consistent with the efficient carrying on of the undertaking shall be British subjects or subjects of the Shaikh.

transfer the obligations and benefits of the Concession to any British Company.

Comment.

While His Majesty's Government has informed the Eastern and General Syndicate that they are prepared for their part not to insist that any Concession granted by the Shaikh must contain a clause confining it to British interests, if the Shaikh for his part is willing to grant a Concession without such a clause; it has also made it clear that in respect of the provisions proposed by the Eastern and General Syndicate which are quoted above and which will enable a transfer to a foreign controlled company to be effected, revision will be needed to safeguard the interests of His Majesty's Government.

A decision as to the exact form of the safeguards has not yet been taken, but this will not prevent the Shaikh from considering in other respects the relative merits of the two draft Concessions.

The provision made by the Anglo-Persian Oil Company will prevent any Concession which might be granted to that Company passing away from a British company.

General Observations.

The foregoing notes deal with the more important provisions of the draft Concessions and will it is thought enable the Shaikh to reach a decision as to which application is likely to be more acceptable to him.

Besides the points dealt with there are certain provisions which ought to be included in any Concession which may be granted of which the following are the more important. Some of these may be covered in part by the existing drafts:—

(1) During the exploratory period the work of exploration should be commenced within a specified period and carried on continuously under the supervision of a fully qualified petroleum geologist. Correct geological plans and records should be kept, which should be open to inspection by the Shaikh or his representatives at all reasonable times.

(2) The Company should give an undertaking at all times during the continuance of the Concession to carry on all operations for winning and working crude oil and natural gas in a skilful and workmanlike manner and in accordance with modern approved methods; to maintain all productive borings in good repair, working order and condition and to take all practical measures to prevent the injurious access of water to the oil-bearing formations.

(3) The Company should furnish an annual report of their operations, together with a plan showing the location of all wells drilled. They should also keep accurate records of the drilling logs of all wells, showing all casing inserted and any water horizons passed through.

(4) All abandoned boreholes should be plugged so as to prevent ingress of water, and excavations fenced off if the Company is required to do so.

(5) There should be a provision for the measurement of any oil won for purposes of ascertainment of royalty. A draft of a suitable clause is appended.

(6) It may be desirable to provide for the revision of the rate of royalty at intervals of, say, 10 years, on the application of either party, such revision

to be based on the general trend of world prices for petroleum products. Minimum and maximum rates of royalty should be laid down in the first instance.

(7) It is usual to provide for a royalty on any natural gas sold. The equivalent of 2d. (? 2 annas) per thousand cubic feet is suggested as a suitable rate. It might also be provided that in the event of casing-head gasoline being produced the Shaikh may fix a royalty at a rate not exceeding the equivalent of ½d. per gallon.

*(8) The Shaikh (? or His Majesty's Government) should retain the right of pre-emption of oil and the right to control coaling and oil stations, docks, wharves, &c., in time of war or emergency.

*(9) It is considered desirable that provision should be made for refining, say, 50 per cent. of the oil in Kuwait or British territory and that plant should be capable of producing fuel oil suitable for Admiralty use.

(10) Minerals, other than petroleum and cognate products, should be reserved to the Shaikh, who should retain the right to lease them to other parties, provided that the operations of the Company are not thereby obstructed.

(11) The Company should undertake to offer no unnecessary or reasonably avoidable obstruction or interruption to the development and working of any minerals (other than petroleum or cognate products) including water, and to afford to the Shaikh and to the holders of prospecting licences or mining leases in respect of other minerals reasonable means of access to such minerals for the purpose of working and carrying away the same.

(12) Provision should be made for local office and resident local representative.

(13) On the termination of the Concession the Company should undertake to deliver up to the Shaikh without payment of compensation in good order and repair and fit for further working all productive wells or borings together with all casings and fixtures below ground level, as well as all buildings, wharves, roads, pipelines and railway lines.

Other points will need consideration, but as some arise on one draft Concession and some on the other it will save time if these are deferred until a decision has been taken by the Shaikh as to which application he desires to accept. When the Shaikh has made his choice between the competing Companies, it is suggested that he should make the grant of a Concession subject to the agreement presented by the successful competitor being so amended as to cover such points as His Majesty's Government might, for whatever reason, recommend him to insist on.

SUGGESTED PROVISIONS FOR MEASURING CRUDE OIL WON.

Measurement of Production.—For the purposes of such royalty payments the Company shall measure by a method customarily used in good oilfield practice all crude oil won and saved, and the Shaikh by his representative duly approved by the Political Resident of the Persian Gulf shall have the right to examine such measuring, and to examine and test whatever appliances may be used for such measuring. If, upon such examination or testing, any such appliance shall be found to be out of order, the Shaikh may require that the same be put in order by, and at the expense of, the Company, and if such requisition be not complied with in a reasonable time the Shaikh may cause the said appliance to be put in order, and may recover the expense of so doing from the Company, and if upon such examination as aforesaid any error shall be discovered in any such appliance, such error shall, if the Shaikh so decide after hearing the Company's explanation, be considered to have existed for three calendar months previous to the discovery thereof, or from the last occasion of examining the same in case such occasion shall be within such period of three calendar months, and the royalty shall be adjusted accordingly. If the Company desire to alter any measuring appliance it shall give reasonable notice to the Shaikh or his representative, to enable a representative of the Shaikh to be present during such alteration.

Production Accounts.—The Company shall keep full and correct accounts of all crude oil measured as aforesaid and the said representative of the Shaikh shall have access at all reasonable times to the books of the Company containing such accounts, and shall be at liberty to make extracts therefrom, and the Company shall, at its own

* See covering note in regard to these two points.

expense, within three calendar months after the end of each calendar year, deliver to the Shaikh an abstract of such accounts for such year and a statement of the amount of royalty due to the Shaikh for such year. Such accounts shall be treated as confidential by the Shaikh, with the exception of such figures therein as he may be required by law to publish. In any event the Shaikh shall have the right to publish particulars of the total annual output of crude oil and natural gas.

C. 98026/32 [No. 124].

No. 175.

THE SECRETARY OF STATE to THE POLITICAL RESIDENT.

(Confidential.)

SIR, Downing Street, 10th November, 1932.

WITH reference to my Confidential despatch of the 30th of September* I have the honour to transmit to you the enclosed copies of a memorandum and comparative statement† prepared by the Petroleum Department regarding the proposals of the Eastern and General Syndicate Limited and the Anglo-Persian Oil Company for an oil concession in Kuwait.

There has not yet been time for the Petroleum Department's comments to be examined by the other Departments of His Majesty's Government concerned. You should not therefore broach the matter again with the Shaikh pending the receipt of a further communication from me.

I have, &c.,
P. CUNLIFFE-LISTER.

C. 98026/32 [No. 129].

No. 176.

COLONIAL OFFICE to THE SECRETARY TO THE POLITICAL RESIDENT.

THE Under-Secretary of State for the Colonies presents his compliments to the Secretary to the Political Resident in the Persian Gulf, and is directed to request that the following amendment may be made in the draft memorandum for submission to the Shaikh of Kuwait which accompanied the Secretary of State's confidential despatch of the 10th of November‡ sent by yesterday's mail regarding the Kuwait Oil Concession.

In the note at the head of the memorandum insert in brackets after "*first* draft" the words "revised form."

Downing Street,
11th November, 1932.

C. 98026/32 [No. 134].

No. 177.

INDIA OFFICE to COLONIAL OFFICE.

[*Answered by No.* 184.]

Whitehall,

SIR, London, S.W.1, 12th November, 1932.

I AM directed by the Secretary of State for India to say that he has had under his consideration the papers enclosed in the letter from the Petroleum Department to the Colonial Office, dated 9th November,§ on the subject of the applications for oil

* C. 98025/32 [No. 111]: not printed. † Enclosure in No. 174. ‡ No. 175. § No. 174.

concessions in Kuwait, which have been made by the Anglo-Persian Oil Company and the Eastern and General Syndicate.

2. Sir Samuel Hoare has no observations to make on the statement. He agrees that an immediate decision need not be taken on the question of safeguards, to which reference is made in the last paragraph of the covering memorandum by the Petroleum Department, and he agrees also to the suggestion (at the end of the draft memorandum for submission to the Shaikh) that the Shaikh might make the grant of a concession subject to the formal agreement drawn up between him and the successful competitor covering such points as His Majesty's Government might, for whatever reason, advise him to insist on.

3. As regards the instructions to be sent to Colonel Fowle, Sir Samuel Hoare would suggest that the Political Resident might be informed that, as he was aware, it was very desirable from the point of view of His Majesty's Government to reach a definite decision on this question, in view of the strong pressure which is being brought to bear by the American oil interest concerned on the Foreign Office, and that His Majesty's Government trust, therefore, that he and the Political Agent, Kuwait, will be able to persuade the Shaikh to reach a decision as between the rival Companies in the light of the information contained in the Petroleum Department's memorandum; that at the same time, as the Resident will appreciate, it is most important, in case the Shaikh should decide in favour of the Anglo-Persian Oil Company, that His Majesty's Government should be able to avoid any suggestion that pressure has been brought to bear upon the Shaikh, or that the decision is not His Excellency's own, and that in these circumstances the Resident and the Political Agent, while at liberty to give the Shaikh any explanation which he may wish either of the actual statements in the Petroleum Department's memorandum or of the effect, in the light of that memorandum, of adopting one or the other Concession, should put the burden of the choice entirely upon His Excellency.

4. Copies of this letter are being sent to the Foreign Office, Admiralty, and Petroleum Department.

I am, &c.,
J. G. LAITHWAITE.

C. 98026/32 [No. 135].

No. 178.

ADMIRALTY to FOREIGN OFFICE.

(Copy received in Colonial Office, 14th November, 1932.)

(Confidential.)

SIR, 12th November, 1932.

WITH reference to the Petroleum Department's letter No. P.D.98 Part 2 of 9th November, 1932, enclosing a memorandum* on the draft concessions for Kuwait submitted by the Eastern and General Syndicate and the Anglo-Persian Oil Company, I am commanded by My Lords Commissioners of the Admiralty to acquaint you, for the information of the Secretary of State for Foreign Affairs, that they note that a copy of the memorandum has been sent by the Colonial Office to the Political Resident in the Persian Gulf with instructions that he is to take no action upon it until he has received further directions.

2. My Lords think it desirable that these directions should be considered by an interdepartmental meeting and they propose therefore that such a meeting should be held forthwith for this purpose.

3. A copy of this letter has been sent to Colonial Office and Petroleum Department.

I am, &c.,
J. S. BARNES.

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* Enclosure in No. 174.

C. 98026/32 [No. 136].

No. 179.

FOREIGN OFFICE to COLONIAL OFFICE.

[*Answered by No.* 184.]

SIR, Foreign Office, S.W.1, 15th November, 1932.

WITH reference to the letter from the India Office to the Colonial Office of the 12th November* regarding oil in Kuwait, I am directed by Secretary Sir John Simon to request you to inform Secretary Sir Philip Cunliffe-Lister that he is in general agreement with the views expressed by Sir Samuel Hoare on the subject of the instructions which should be addressed to the Political Resident in the Persian Gulf as to the action to be taken and the attitude to be adopted in communicating to the Shaikh of Kuwait the comments made by the Petroleum Department upon the draft concessions submitted by the Anglo-Persian Oil Company and the Eastern and General Syndicate.

2. While Sir John Simon is prepared to instruct a member of this department to attend a meeting on the subject, as proposed in Admiralty letter, of the 12th November,† I am to suggest that, in default of any objection on the part of the other departments concerned, such a meeting may prove to be unnecessary and telegraphic instructions in the sense proposed by the India Office could be addressed to Lieutenant-Colonel Fowle without further delay.

3. Copies of this letter are being sent to the Petroleum Department, the India Office, and the Admiralty.

I am, &c.
G. W. RENDEL.

C. 98026/32 [No. 137].

No. 180.

ADMIRALTY to COLONIAL OFFICE.

(Confidential.)

SIR, Admiralty, S.W.1, 18th November, 1932.

WITH reference to Foreign Office letter of 15th November, 1932,‡ to the Colonial Office, in which it is suggested that the interdepartmental meeting proposed by the Admiralty to discuss the telegraphic instructions to be sent to the Political Resident, Persian Gulf, in the matter of the Kuwait Oil Concession, might be unnecessary if the instructions proposed in India Office letter of 12th November* to Colonial Office were acceptable to other Departments, I am commanded by My Lords Commissioners of the Admiralty to offer the following observations for the consideration of the Secretary of State for the Colonies.

2. The implication to be drawn from the wording of paragraph 3 of the India Office letter appears to be that the Political Resident should confine his advice to the Shaikh to strictly impartial explanations of the Petroleum Department's analysis and should take no steps to influence the Shaikh's decision.

3. In view of the great strategic importance attaching to the development of oil supplies in the Persian Gulf area by bona fide British Companies, My Lords are of opinion that no legitimate step which might influence the Shaikh of Kuwait to award the concession to the Anglo-Persian Oil Company rather than to the American interests acting under the cloak of the Eastern and General Syndicate should be neglected, although They fully admit that it is essential that the burden of choice must ultimately rest entirely with the Shaikh. My Lords therefore consider that the instructions to the Political Resident should point out that it is of the utmost importance that the Shaikh should give his decision in favour of the Anglo-Persian Oil Company and that the Political Resident should neglect no legitimate step to ensure his taking this decision provided that the ultimate decision can be made to appear to have been entirely that of the Shaikh himself and that no ground is given to the American interests concerned for an accusation against His Majesty's Government of having brought undue influence or pressure to bear upon the Shaikh.

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* No. 177. † No. 178. ‡ No. 179.

4. My Lords also consider it desirable to add that should an opportunity arise to tender his advice to the Shaikh the Political Resident, in addition to explaining any doubtful points in the Petroleum Department's analysis, might well refer also to the following points:—

(i) That as nothing is yet known as to whether the field will be a cheap or an expensive one to work and as at present there is a considerable world over-production of oil, there may well be a strong inducement to limit production from the Kuwait field rather than to increase it. In these circumstances the "bird in the hand" of the Anglo-Persian Oil Company's offer seems to be worth considerably more than the "two in the bush" of the Eastern and General Syndicate's draft concession.

(ii) The wide experience of the Anglo-Persian Oil Company in this area enables them to offer a fair economic royalty, combined with a higher minimum payment. The Eastern and General Syndicate, on the other hand, being almost entirely without local experience, offer a higher royalty and a lower minimum payment but would seem to be themselves doubtful whether the royalty which they offer is economically possible since their draft concession provides for a complete cessation of work for any time up to two years during which no payments would accrue to the Shaikh.

5. I am to suggest that the whole matter should now be considered by the Middle East Official Sub-Committee of the Committee of Imperial Defence.

6. Copies of this letter have been sent to Foreign Office, India Office and Petroleum Department.

I am, &c.,
J. S. BARNES.

C. 98026/32 [No. 138 A].

No. 181.

SIR R. VANSITTART (Foreign Office)

to

THE HONOURABLE ANDREW W. MELLON (The United States Ambassador).

(Copy received in Colonial Office, 26th November, 1932.)

My dear Ambassador, Foreign Office, S.W.1, 11th November, 1932.

I am glad to be able to let you know that the Department concerned have now completed the comparative examination of the draft concessions for oil exploitation in Kuwait, submitted to the Shaikh by the Eastern and General Syndicate and by the Anglo-Persian Oil Company respectively, and that the document embodying the result of this examination is already on its way to the British authorities in the Persian Gulf.

On its receipt by them it will be communicated to the Shaikh of Kuwait for his consideration.

Meanwhile I am arranging to have a detailed reply prepared to the various other points raised in the memorandum which you left with me on 2nd November.

R. VANSITTART.

C. 98026/32 [No. 138 B].

No. 182.

SIR R. VANSITTART (Foreign Office)

to

THE HONOURABLE ANDREW W. MELLON (The United States Ambassador).

(Copy received in Colonial Office, 26th November, 1932.)

My dear Ambassador, Foreign Office, S.W.1, 23rd November, 1932.

Since I wrote to you on 11th November* about Kuwait oil, I have been considering the question, on which, as you know, I was not in possession of full details

* No. 181.

at the time of our interview. I have, therefore, come to it with a fresh mind, and one or two points have at once struck me.

2. The memorandum which you left with me on 2nd November might be interpreted as implying that His Majesty's Government have been purposely procrastinating in regard to the participation of American interests in the development of Kuwait oil for over four years. But, apart from the fact that the Anglo-Persian Oil Company were in the field in Kuwait long before the British concern which is now acting for the United States interests, I wish to make it clear that the decision of His Majesty's Government (which was communicated to the Eastern and General Syndicate in November, 1928) that any oil concession which might be granted must contain a clause which would confine it to British interests, was taken on grounds of general policy and before we had heard anything of American participation in the matter. The decision was in fact taken in pursuance of the then existing general policy of His Majesty's Government which had been in force for many years, and also because the Shaikh of Kuwait, whose interests they are, of course, under an obligation to protect, expressed himself as unwilling to grant a concession to any company not under British control. It was not until 19th December, 1928, that the Syndicate informed the Colonial Office of their agreement with the Eastern Gulf Oil Company, by which the concession, if obtained, was to be transferred to United States interests. His Majesty's Government did not, however, feel able to change their decision until, in December, 1931, your Embassy first made representations in the matter. Then His Majesty's Government, in their desire to go as far as they could to meet the United States Government, reconsidered the question and decided after much deliberation that, while they could not commit the Shaikh of Kuwait, they would, for their part, not insist in this case that any concession granted must contain a clause confining it to British interests, if the Shaikh for his part was willing to grant a concession without such a clause, and we so informed your Embassy in April.

3. Your memorandum also reverts to the representations made in Atherton's official note No. 231 of the 6th September,* to the effect that the American interests concerned are labouring under a disadvantage as compared with the Anglo-Persian Oil Company owing to their ignorance of the provisos which His Majesty's Government would require to see embodied in the concessions granted, in order to safeguard their own interests. But surely these representations were satisfactorily answered in Sir John Simon's reply, of the 16th September.† As I understand it, the "safeguards" are a matter for discussion *after* the Shaikh of Kuwait has made his decision from the point of view of what is to the best advantage of his own State. (I am advised that though no final decision has been taken on the point it is not unlikely that at least some of them would equally have to be embodied in any concession which might be granted to a purely British Oil Company wishing itself to operate in Kuwait). As these safeguards are not primarily the concern of the Shaikh, and will not affect the comparison of the two draft concessions on their merits, they do not in our view affect the matter at the present stage.

4. As you know, that stage is that the latest draft concession submitted by the Eastern and General Syndicate and the draft submitted by the Anglo-Persian Oil Company have been compared in London by the department concerned on the technical side in order that the Shaikh, who is naturally not well versed in such technical matters, may understand what in fact will be the effect of the main provisions of each offer (*e g.*, the financial side, conditions of working the oil, &c., &c.). The resulting document is now on its way to the Persian Gulf, and we must await the result of the Shaikh's examination.

5. The two offers made for the concession are thus being treated concurrently, and that, I feel sure you will appreciate, was the only correct course for His Majesty's Government to take in order to secure the most acceptable terms for the Shaikh. If only in his interest, His Majesty's Government were naturally bound, as Sir John Simon informed Atherton in his note of the 9th April,‡ to allow any interested company to consider whether they wanted to apply for a concession, and if so to give them time to do so. The Anglo-Persian Oil Company formally renewed their efforts to obtain a concession in Kuwait in August, 1931 (not October as mentioned in your memorandum).

6. I regret that there has been delay in the whole matter; I cannot of course at this stage say exactly when the Shaikh will decide to grant a concession; I do hope,

* No. 165. † No. 166. ‡ Enclosure in No. 137.

however, that in the light of the preliminary information I have now given, you will be able to assure your Government that there has been no desire on our part to cause them embarrassment by any avoidable delay.

Yours, &c.,
R. VANSITTART.

C. 98026/32 [No. 139.]

No. 183.

COLONIAL OFFICE to COMMITTEE OF IMPERIAL DEFENCE.

(Secret.)

SIR, Downing Street, 29th November, 1932.

I AM directed by Secretary Sir Philip Cunliffe-Lister to transmit to you a copy of the correspondence* regarding the desire of the Anglo-Persian Oil Company and the Eastern and General Syndicate, Limited, to secure an oil concession in Kuwait.

2. I am to request that copies of these documents may be circulated to the members of the Standing Official Sub-Committee on Middle East Affairs, and that a meeting of the Sub-Committee may be called, if possible in the afternoon of the 2nd December, in order to consider what instructions in the matter should now be sent to the Political Resident in the Persian Gulf.

3. I am to add that it would be convenient if, for the purpose of this meeting, the Petroleum Department could be invited to send a representative.

I am, &c.,
J. E. W. FLOOD.

C. 98026/32 [Nos. 145-147].

No. 184.

COLONIAL OFFICE

to

[1] FOREIGN OFFICE.
[2] INDIA OFFICE.
[3] PETROLEUM DEPARTMENT.

[*Answered* [1] *by No.* 190, [2] *by No.* 191, *and* [3] *by No.* 189.]

SIR, Downing Street, 10th December, 1932.

WITH reference [*To* [1] : to your letter of the 15th of November†] [*To* [2] : to your letter of the 12th of November‡] [*To* [3] : to the letter from this Office of the 30th of November§] and connected correspondence on the subject of the applications of the Anglo-Persian Oil Company and the Eastern and General Syndicate for an oil concession in Kuwait, I am directed by Secretary Sir Philip Cunliffe-Lister to transmit to you, for the consideration of [*To* [1] : Secretary Sir John Simon] [*To* [2] : Secretary Sir Samuel Hoare] [*To* [3] : the Minister of Mines] the enclosed copies of two telegrams‖ which it is proposed to address to the Resident in the Persian Gulf.

These telegrams have been drafted as a result of the conclusions reached at the meeting of the Middle East Official Sub-Committee held on the 2nd of December, and I am to inquire whether [*To* [1] : Sir John Simon] [*To* [2] : Sir Samuel Hoare] [*To* [3] : Mr. Ernest Brown] concurs in their terms. In view of the urgency of the matter, I am to request that a reply may be returned as soon as possible.

Similar letters are being addressed to the Admiralty, War Office, Air Ministry, [*To* [1] : India Office and Petroleum Department] [*To* [2] : Foreign Office and Petroleum Department] [*To* [3] : Foreign Office and India Office].

I am, &c.,
J. E. W. FLOOD.

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* Nos. 154, 156, 157, 163, 166, 174, 175, 177, 179, and 180. † No. 179. ‡ No. 177.
§ C. 98026/32 [No. 143] : not printed. ‖ Printed as Nos. 198 and 199.

C. 98026/32 [Nos. 148-150].

No. 185.

COLONIAL OFFICE

to

[1] AIR MINISTRY.
[2] WAR OFICE.
[3] TREASURY.

[*Answered* [1] *by No.* 197, [2] *by No.* 188, *and* [3] *by No.* 187.]

SIR, Downing Street, 10th December, 1932.

I AM directed by Secretary Sir Philip Cunliffe-Lister to refer to the meeting of the Middle East Official Sub-Committee which was held on the 2nd of December to consider the situation arising from the applications for an oil concession in Kuwait which have been put forward by the Anglo-Persian Oil Company and the Eastern and General Syndicate, and to enclose, for the consideration of the [*To* [1] : Air Council] [*To* [2] : Army Council] [*To* [3] : Lords Commissioners of the Treasury] copies of the drafts of two telegrams* which, in accordance with the recommendations made by the Sub-Committee it is proposed to address to the Resident in the Persian Gulf.

Sir Philip Cunliffe-Lister will be glad to learn whether [*To* [1] : the Air Council] [*To* [2] : the Army Council] [*To* [3] : Their Lordships] concur in the terms of the telegrams and, in view of the urgency of the matter, I am to request that an early reply may be returned.

Similar letters have been addressed to the [*To* [1] : War Office, Treasury,] [*To* [2] : Air Ministry, Treasury,] [*To* [3] : Air Ministry, War Office,] Admiralty, India Office, Foreign Office, and Petroleum Department.

I am, &c.,
J. E. W. FLOOD.

C. 98026/32 [No. 151].

No. 186.

COLONIAL OFFICE to ADMIRALTY.

[*Answered by No.* 196.]

SIR. Downing Street, 10th December, 1932.

WITH reference to the letter from this Office of the 29th of November,† I am directed by Secretary Sir Philip Cunliffe-Lister to transmit to you, for the consideration of the Lords Commissioners of the Admiralty, the drafts of two telegrams* which it is proposed to address to the Resident in the Persian Gulf concerning the two applications now under consideration for an oil concession in Kuwait.

2. As Their Lordships are aware, this question was discussed at a meeting of the Middle East Official Sub-Committee on the 2nd of December, and the telegrams now submitted are in accordance with the conclusions reached at that meeting.

3. I am to inquire whether Their Lordships agree with the terms of the draft telegrams, and to request that, in view of the urgency of the matter, an early reply may be returned. Similar letters are being addressed to the Foreign Office, India Office, Air Ministry, War Office, Treasury, and Petroleum Department.

I am, &c.,
J. E. W. FLOOD.

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* Printed as Nos. 198 and 199. † C. 98026/32 [No. 140] : not printed.

C. 98026/32 [No. 160].

No. 187.

TREASURY to COLONIAL OFFICE.

(Secret.)
(S. 37211.)

SIR, Treasury Chambers, 12th December, 1932.

I HAVE laid before the Lords Commissioners of His Majesty's Treasury Mr. Flood's letter of the 10th instant* and the accompanying copies of the drafts of two telegrams which it is proposed to address to the Resident in the Persian Gulf on the subject of the situation arising from the application for an oil concession in Kuwait which have been put forward by the Anglo-Persian Oil Company and the Eastern and General Syndicate.

In reply I am directed to request you to inform the Secretary of State that My Lords, for Their part, concur in the terms of these telegrams.

I am, &c.,
F. PHILLIPS.

C. 98026/32 [No. 161].

No. 188.

WAR OFFICE to COLONIAL OFFICE.

SIR, The War Office, London, S.W.1, 13th December, 1932.

I AM commanded by the Army Council to acknowledge receipt of your letter dated 10th December, 1932,* on the subject of oil concessions in Kuwait and in reply to state that they concur generally with the terms of the two draft telegrams which it is now proposed should be sent to the Resident in the Persian Gulf, subject to the following remarks.

2. Prior to the meeting of the Standing Official Sub-Committee for questions concerning the Middle East held on the 2nd December, 1932, the Council had not been kept in touch with the question of oil concessions in Kuwait under consideration, and the correspondence referred to in the private and personal wire which is now being despatched to Colonel Fowle does not therefore include any expression of their views. The Council are very much interested in all questions of strategical importance and they wish to associate themselves most fully with paragraph 3 of letter dated 18th November, 1932,† from the Lords Commissioners of the Admiralty. They request, therefore, that the Resident in the Persian Gulf should be apprised of their views.

3. Accordingly I am to ask that the following addition should be made to the private and personal telegram :—

" The Army Council wish to associate themselves particularly with the third paragraph of Admiralty letter of the 18th November, 1932."

4. A copy of this letter has been sent to the Treasury, Foreign Office, India Office, Admiralty, Air Ministry and Petroleum Department.

I am, &c.,
H. J. CREEDY.

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* No. 185. † No. 180.

C. 98026/32 [No. 162].

No. 189.

PETROLEUM DEPARTMENT to COLONIAL OFFICE.

Petroleum Department (Mines Department),
Dean Stanley Street,
Millbank, Westminster,
London, S.W.1, 13th December, 1932.

SIR,

I AM directed by the Secretary of Mines to refer to your letter of 10th December,* transmitting copies of two draft telegrams which it is proposed to address to the Resident in the Persian Gulf and to request you to inform Secretary Sir Philip Cunliffe Lister that, subject to the following amendments, the Secretary of Mines concurs in the draft telegrams.

The amendments suggested are as follows :—

1. *First telegram, paragraph* 2. After the words " renumbered accordingly " insert " matters dealt with in the deleted paragraphs will be taken up at later stage."
2. *At end of second paragraph.* After words " should be deleted " add " this being a matter for you to arrange with the Shaikh."

Copies of this letter are being forwarded to the Admiralty, War Office, Air Ministry, Foreign Office, India Office, and Treasury.

I am, &c.,
F. C. STARLING.

C. 98026/32 [No. 163].

No. 190.

FOREIGN OFFICE to COLONIAL OFFICE.

SIR. Foreign Office, S.W.1, 14th December, 1932.

WITH reference to Colonial Office letter of the 10th December* regarding the proposed grant of an oil concession by the Shaikh of Kuwait, I am directed by Secretary Sir John Simon to request you to inform Secretary Sir Philip Cunliffe-Lister that he concurs in the terms of the two draft telegrams to the Political Resident in the Persian Gulf, enclosed in that letter, subject to the following suggested addition.

2. The Middle East Official Sub-Committee at their meeting on the 2nd December recommended under Conclusion I (*c*) that the final sentence should be omitted from the statement drawn up by the Petroleum Department, when that statement is submitted to the Shaikh of Kuwait, on the ground that the subject of this sentence is a matter for the Political Resident to arrange with the Shaikh. The sentence referred to embodies a suggestion to the effect that, when the Shaikh has made his choice between the Anglo-Persian Oil Company and the Eastern and General Syndicate, he should make the grant of a concession conditional upon the amendation of the draft concession submitted by the successful competitor in such a way as to cover any points upon which His Majesty's Government may recommend him to insist. This is evidently a matter of importance both to His Majesty's Government and the Shaikh. Sir John Simon suggests therefore that the following phrase should be added to the third paragraph of the draft official telegram enclosed in your letter under reference :—" but you should at the appropriate moment bring suggestion in that sentence to notice of Shaikh."

3. Copies of this letter are being sent to the Admiralty, War Office, Air Ministry, India Office, Petroleum Department and the Treasury.

I am, &c.,
G. W. RENDEL.

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* No. 184.

now being brought to bear by American oil interests, and it is hoped that you and the Political Agent, Kuwait, will be able now to persuade the Shaikh to reach a decision between the rival applicants in the light of the information contained in the memorandum which will be communicated to him as above. It will be appreciated by you that it is most important in case the Shaikh decides in favour of Anglo-Persian that His Majesty's Government should be able to avoid any suggestion that pressure has been brought to bear upon him, or that the decision is not the Shaikh's own. In these circumstances, while you and the Political Agent are at liberty to provide the Shaikh with any explanation for which he may ask either of the actual statements in the memorandum or of the effect in the light of that memorandum of accepting one or other of the draft concessions, you should leave it entirely to him to make the choice on his sole responsibility.

C. 98026/32 [No. 179].

No. 199.

THE SECRETARY OF STATE to THE POLITICAL RESIDENT.

(Sent 7.45 p.m., 22nd December, 1932.)

TELEGRAM.

[*Answered by No.* 202.]

PRIVATE and personal. Kuwait oil. Reference my immediately preceding telegram.* It is of great importance that all relevant facts should be in Dickson's possession before any discussion takes place between him and the Shaikh. I suggest therefore that he should visit Bushire immediately for discussion with you when you should show him confidentially for his information all the correspondence including that which has passed between interested Departments here copies of which I understand have been forwarded to you from India Office.

C. 98026/32 [No. 187].

No. 200.

THE SECRETARY OF STATE to THE POLITICAL RESIDENT.

(Sent 5 p.m., 23rd December, 1932.)

TELEGRAM.

[*Answered by No.* 202.]

23RD DECEMBER. Personal and Private. Reference my personal and private telegram of 22nd December.† Please inform me by telegraph when you expect Dickson to reach Bushire for discussion suggested.

C. 98026/32 [No. 189].

No. 201.

ADMIRALTY to COLONIAL OFFICE.

(Confidential.)

SIR, Admiralty, S.W.1, 23rd December, 1932.

WITH reference to your letter of 21st instant‡ about an oil concession in Kuwait, I am commanded by My Lords Commissioners of the Admiralty to state, for the information of Secretary Sir Philip Cunliffe-Lister, that in view of the expressions of War Office and Air Ministry opinion in their letters of 13th§ and 14th instant‖ respectively having been forwarded to the Political Resident, and the steps it is proposed to

* No. 198. † No. 199. ‡ No. 197. § No. 188. ‖ No. 192.

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take to ensure that his discussion of this question with the Political Agent, Kuwait, is postponed until it is definitely known that he is in possession of the views of the three Service Departments, they concur in the private and personal telegram to him being despatched as drafted.

A copy of this letter has been sent to War Office, Air Ministry, Foreign Office, India Office, Treasury and Petroleum Department.

I am, &c.,
J. S. BARNES.

C. 98026/32 [No. 190].

No. 202.

THE POLITICAL RESIDENT to THE SECRETARY OF STATE.

(Received 5.33 p.m., 24th December, 1932.)

TELEGRAM.

[*Answered by No.* 206.]

24TH DECEMBER. Unnumbered. Private and Personal.

Reference your private and personal telegrams of 22nd* and 23rd December.† Kuwait Oil.

1. Colonel Dickson has received copies of all the interdepartmental correspondence to which you refer.

2. Shaikh (of) Kuwait is on a visit to Bahrein at present and cannot be back in Kuwait before 29th December.

3. Earliest date on which Dickson can reach Bushire is 1st January, but this would involve his absence from Kuwait during Naval Commander-in-Chief's visit from 3rd to 6th of January.

4. Translation of Petroleum Department's Memorandum into Arabic will take time and Shaikh will not be able to study memorandum or discuss points on which he may want advice during Commander-in-Chief's visit. I consider it most desirable that I should explain such points personally to Shaikh but the Commander-in-Chief will be visiting Bushire 7th to 9th of January and I cannot go to Kuwait until after his visit.

5. I propose therefore to take the following action:—(*a*) instruct Dickson to communicate (amended) memorandum to the Shaikh on 8th January, (*b*) at the same time make the oral explanation mentioned in the first paragraph of your telegram No. 9,‡ (*c*) ask him to study the memorandum (which will certainly take him some days), (*d*) inform him that I shall arrive at Kuwait on 11th January to discuss any points which he would like cleared up, and (*e*) tell the local representative of the Syndicate and the Anglo-Persian Oil Company that the Shaikh has received the comments of His Majesty's Government and that the decision now rests with him.

6. I shall be glad to receive your approval of above proposals by telegram.

C. 98026/32 [Nos. 191-2].

No. 203.

COLONIAL OFFICE

to

[1] INDIA OFFICE.
[2] FOREIGN OFFICE.

[*Answered* [1] *by No.* 204 *and* [2] *by No.* 205.]

(Confidential.)

SIR, Downing Street, 27th December, 1932.

I AM directed by Secretary Sir Philip Cunliffe-Lister to refer to the letter from this Department of the 23rd of December,§ and to transmit to you, to be laid before Secretary [*To* [1]: Sir Samuel Hoare,] [*To* [2]: Sir John Simon,] the enclosed copy of a private and personal telegram‖ from the Resident in the Persian Gulf, together with a copy of the second private and personal telegram† from the Colonial Office mentioned therein.

* No. 199. † No. 200. ‡ No. 198. § C. 98026/32 [Nos. 181 and 180]: not printed. ‖ No. 202.

C. 98026/32 [No. 170].

No. 196.

ADMIRALTY to COLONIAL OFFICE.

[*Answered by No.* 197.]

(Confidential.)

SIR, Admiralty, S.W.1, 21st December, 1932.

THE Lords Commissioners of the Admiralty have had under consideration your letter of the 10th of December,* enclosing the drafts of two telegrams which it is proposed to address to the Resident in the Persian Gulf concerning the two applications now under consideration for an oil concession in Kuwait. In view of the general conclusions reached at the meeting of the Official Sub-Committee for questions concerning the Middle East on the 2nd of December, My Lords concur in the despatch of the two telegrams, subject to the following observations :—

The words " questions at issue have now been discussed with other Government Departments and " at the beginning of the first telegram appear to be superfluous and might conceivably convey an erroneous impression of general departmental agreement.

The draft of the private and personal telegram to the Political Resident contains no special reference to Admiralty letter M. 02977 of the 18th November.† My Lords consider it is important that the letter should be mentioned and that the Resident should be aware that the views expressed in it are shared by the Service Departments. Accordingly they propose that an addition to the telegram be made in the sense that " Admiralty views are expressed in Admiralty letter of 18th November are shared by War Office and Air Ministry."

My Lords infer from the views expressed by representatives of other Departments interested that we are deeply committed to the United States Government in this matter and that it is for this reason that it is not desired to stress the advantages which both His Majesty's Government and the Shaikh may be expected to derive from the grant of the concession to the Anglo-Persian Oil Company. If this were not so and we were free to offer our unfettered advice to the Shaikh, My Lords would have preferred to explain the position more fully to him. It appears to Their Lordships to be possible that the Shaikh may consider us lacking in candour if we refrain from disclosing our own wishes, which must necessarily weigh with him in coming to a decision from the point of view of his own interests and those of his Shaikhdom.

Copies of this letter are being forwarded to the War Office, Air Ministry, Foreign Office, India Office, and Treasury.

I am, &c.,
J. S. BARNES.

C. 98026/32 [No. 171].

No. 197.

COLONIAL OFFICE to ADMIRALTY.

[*Answered by No.* 201.]

(Confidential.)

SIR, Downing Street, 21st December, 1932.

I AM directed by Secretary Sir Philip Cunliffe-Lister to acknowledge the receipt of your letter of the 21st of December,‡ from which he is glad to observe that the Lords Commissioners of the Admiralty are prepared to concur generally in the despatch of the two telegrams which it is proposed to address to the Political Resident in the Persian Gulf concerning the applications now under consideration for an oil concession in Kuwait.

2. No objection is seen to the omission of the words " questions at issue and " at the beginning of the first telegram, as suggested by their Lordships.

3. With regard to the private and personal telegram to the Political Resident, it is understood that it is considered very important both by the Secretary of State for Foreign Affairs and the Secretary of State for India that this telegram should contain nothing of a character calculated to lay especial emphasis on any particular aspect of the correspondence. Moreover, copies of the Admiralty letter of the 18th of November†

* No. 186. † No. 180. ‡ No. 196.

were despatched to the Political Resident by air mail on the 25th of November and by sea mail on the 24th of November from the India Office, while copies of the War Office letter of the 13th of December* and of the Air Ministry letter of the 14th of December† have been despatched by air mail leaving England on the 17th of December. The Political Resident will therefore be in possession of this correspondence expressing, as it does, the support of the Army Council and the Air Council for the views expressed by the Lords Commissioners of the Admiralty.

4. In order, however, to make quite certain that Lieutenant-Colonel Fowle has the correspondence before him when he confers with Colonel Dickson, it is proposed to request him by telegraph to acknowledge the receipt of the air mail packet which left London on the 17th of December, and he will also be invited to state on what date he expects Colonel Dickson to join him at Bushire. Should it then appear that there is any risk of Colonel Dickson's reaching Bushire before the arrival of the air mail of the 17th of December, it will be possible to instruct the Political Resident to delay the discussion with Colonel Dickson until the arrival of that air mail. It is thought that this course will provide ample safeguards and will ensure that the views of the Service Departments are fully before the Political Resident and the Political Agent at Kuwait.

5. In these circumstances I am to express the hope that their Lordships will agree that the telegram should be despatched as drafted, and, in view of the increasing urgency of the matter, I am to ask that they will cause a reply to be returned to this letter at the earliest possible date. It will be observed from the letter addressed by Colonel Murray to Mr. Warner on the 19th of December‡ (a copy of which has been sent to the Admiralty) that the War Department agrees that the telegram need not now be amplified, and it is understood semi-officially that the Air Ministry also agrees.

6. Copies of this letter are being sent to the War Office, Air Ministry, Foreign Office, India Office, Treasury and Petroleum Department.

I am, &c.,
J. E. W. FLOOD.

C. 98026/32 [No. 178].

No. 198.

THE SECRETARY OF STATE to THE POLITICAL RESIDENT.

(Sent 7.45 p.m., 22nd December, 1932.)

TELEGRAM.

[*Answered by No.* 202.]

22ND DECEMBER. No. 9. Reference my Confidential despatch 10th November.§ Kuwait oil. You may now proceed to communicate to the Shaikh of Kuwait the memorandum prepared by Petroleum Department comparing the two draft concessions, but in view of the special position of His Majesty's Government *vis-à-vis* the Government of the United States in the matter, the section relating to the British control clause, *i.e.*, from words " British control clause " to words " passing away from a British company " should not be communicated. Nevertheless the Shaikh should be made fully aware, *i.e.*, by oral explanation, that if the concession is granted to the Eastern and General Syndicate it means that it will be transferred to a company which is controlled by foreign capital even though nominally British, and subject only to whatever measures of overriding British control may hereafter be decided upon, while concession to the Anglo-Persian will ensure entire British control. It should be made clear to the Shaikh, however, that His Majesty's Government desire to leave it entirely to him to decide whether or not this circumstance affects his choice.

The general observations which follow the comment on British control clause should be communicated to the Shaikh as they stand except that paragraphs 8 and 9 dealing with right of pre-emption and provision for refining oil in Kuwait should be deleted and subsequent paragraphs renumbered accordingly. The matters dealt with in the deleted paragraphs will be taken up at a later stage. Also the last sentence of all commencing " When the Shaikh has made his choice " should be deleted, this being a matter for you to arrange with the Shaikh, and you should take a suitable opportunity of bringing the suggestion in that sentence to his notice.

It is very desirable, as you are aware, from the point of view of His Majesty's Government to reach a definite decision as early as possible in view of the pressure

* No. 188. † No. 192. ‡ No. 195. § No. 175.

C. 98026/32 [No. 164].

No. 191.

INDIA OFFICE to COLONIAL OFFICE.

India Office, Whitehall,
London, S.W.1, 14th December, 1932.

SIR,

IN reply to your letter of the 10th December,* I am directed by the Secretary of State for India to say that he concurs in the draft telegrams proposed to be sent to the Resident in the Persian Gulf on the subject of the applications of the Anglo-Persian Oil Company and the Eastern and General Syndicate for an oil concession in Kuwait.

2. Copies of this letter are being sent to the Admiralty, War Office, Air Ministry, Foreign Office, and Petroleum Department.

I am, &c.,
J. C. WALTON.

C. 98026/32 [No. 165].

No 192.

AIR MINISTRY to COLONIAL OFFICE.

Air Ministry, London, W.C.2, 14th December, 1932.

SIR,

I AM commanded by the Air Council to refer to Colonial Office letter of 10th December,† transmitting drafts of two telegrams which it is proposed to address to the Resident in the Persian Gulf on the subject of applications for an oil concession in Kuwait, and in reply to acquaint you, for the information of the Secretary of State for the Colonies, that in so far as they are aware, the only correspondence in the possession of the Resident, Persian Gulf, likely to explain the views of the Service Departments on the strategic issues involved is Admiralty letter dated 18th November, 1932.‡ In order, therefore, to conform with the terms of conclusion 2 (*b*) of the Middle East (O) 21st meeting held on 2nd December, the Council consider that some reference should be made in the personal telegram to Lieutenant-Colonel Fowle to indicate that the Air Ministry hold views similar to those expressed in paragraphs 2 and 3 of the above-quoted Admiralty letter.

Subject to an amendment on the foregoing lines to the personal telegram to Lieutenant-Colonel Fowle, the Council have no further comments to raise on either of the two draft telegrams.

Copies of this letter have been sent to the Foreign Office, India Office, Admiralty, War Office, Treasury and Petroleum Department.

I am, &c.,
C. LL. BULLOCK.

C. 98026/32 [No. 166].

No. 193.

MR. J. G. LAITHWAITE (INDIA OFFICE)

to

MR. J. E. W. FLOOD (COLONIAL OFFICE).

India Office, Whitehall, S.W.1, 15th December, 1932.

MY DEAR FLOOD,

I WRITE with reference to our telephone conversation this morning to say that copies of the War Office letter of 13th December§ about the oil concession will go to the Political Resident by this week's air mail, and should reach him (even assuming that we get off the official and personal telegrams to him by the beginning of next week) well before arrangements can be made for Dickson to come from Kuwait to Bushire to look at the correspondence generally. In these circumstances perhaps the private telegram could stand in its present form? The views of the Army Council

* No. 184. † No. 185. ‡ No. 180. § No. 188.

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would be definitely on record so far as the Resident is concerned and the difficulties which both we and the Foreign Office are likely to feel about any specific reference in the private telegram to a particular item of correspondence would be avoided.

I am sending copies of this letter to Warner, Murray, Moore, McClaughry, and Starling.

Yours, &c.,
J. G. LAITHWAITE.

C. 98026/32 [No. 167].

No. 194.

MR. C. F. A. WARNER (FOREIGN OFFICE)

to

COLONEL K. D. B. MURRAY (WAR OFFICE).

(Copy received in Colonial Office, 17th December, 1932.)

[*Answered by No.* 195.]

Foreign Office, S.W.1, 16th December, 1932.

DEAR MURRAY,

WE have received copies of your official letter of the 13th December* about the instructions to be sent to the Political Resident in the Persian Gulf on the subject of the proposed oil concession in Kuwait and of Laithwaite's private letter to Flood of the 15th December.†

2. I write to express the hope that the War Office will see their way to agree to Laithwaite's proposal that, as a copy of your letter is going to Fowle by this week's air mail, it will be covered by the present instruction in the draft telegram that all the correspondence should be shown to the Political Agent at Kuwait, and that therefore the addition to the draft private and personal telegram to Fowle proposed by the War Office, need not be made.

3. We here are anxious that this draft telegram, the sense of which was agreed with some difficulty, should go as it stands, and that no specific reference should be made to one particular point in the interdepartmental correspondence. It seems to us that the War Office's object will be completely achieved if we proceed as Laithwaite proposes.

4. I am sending copies of this letter to Flood, Laithwaite, Moore, McClaughry, and Starling.

Yours, &c.,
C. F. A. WARNER.

C. 98026/32 [No. 169].

No. 195.

COLONEL K. D. B. MURRAY (WAR OFFICE)

to

MR. C. F. A. WARNER (FOREIGN OFFICE)

(Copy received in Colonial Office, 20th December, 1932.)

19th December, 1932.

MY DEAR WARNER,

PLEASE refer to your letter of the 16th December.‡ I had already spoken to Flood on the 'phone and let him know that we agreed to Laithwaite's proposal which would avoid the necessity for making any changes in the draft private and personal telegram.

I am sending copies of this letter to Flood, Laithwaite, Moore, McClaughry and Starling.

Yours, &c.,
K. D. MURRAY.

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* No. 188. † No. 193. ‡ No. 194.

2. It will be observed that Lieutenant-Colonel Fowle considers it desirable that he should proceed himself to Kuwait, and that for various reasons it will not be possible for him to arrive there before the 11th of January. In the circumstances Sir Philip Cunliffe-Lister is of opinion that the action proposed by the Resident should be approved, but that he should be warned to await the arrival of the air mail which left London on the 17th of December before actually visiting Kuwait.

3. I am accordingly to enclose a draft of a private and personal telegram which it is proposed to address to the Resident, and to inquire whether its terms meet with the approval of [*To* [1] : Sir Samuel Hoare.] [*To* [2] : Sir John Simon.]

4. A similar letter is being addressed to the [*To* [1] : Foreign Office,] [*To* [2] : India Office,] and copies are being despatched to the Admiralty, War Office, Air Ministry, Treasury and Petroleum Department for information.

I am, &c.,
J. E. W. FLOOD.

C. 98026/32 [No. 190A].

Enclosure 3 in No. 203.

DRAFT OF PROPOSED TELEGRAM FOR SECRETARY OF STATE TO RESIDENT.

PRIVATE and Personal. Unnumbered. Your private and personal telegram of 24th December. Course of action which you suggest fully approved, but it is important that you should await receipt of air mail from India Office which left London on 17th December before opening discussions with the Shaikh, and Dickson should be in possession of the relevant correspondence contained therein.

C. 98026/32 [No. 198].

No. 204.

INDIA OFFICE to COLONIAL OFFICE.

SIR, India Office, Whitehall, London, S.W.1, 29th December, 1932.

WITH reference to your letter of 27th December,* relative to the question of the Kuwait Oil Concession, I am directed by Secretary Sir Samuel Hoare to say that he concurs in the draft private and personal telegram which it is proposed to address to the Political Resident in the Persian Gulf, but would suggest that after the words "on 17th December" there should be added the words "and which is referred to in India Office telegram No. 3281 of 20th December." Copy of the telegram referred to is enclosed for ease of reference.

Copy of this letter is being sent to the Foreign Office.

I am, &c.,
J. C. WALTON.

Enclosure in No. 204.

SECRETARY OF STATE FOR INDIA TO POLITICAL RESIDENT, BUSHIRE.

TELEGRAM.

(Secret.)

20TH DECEMBER. 3281. Please telegraph acknowledgment of receipt of copies of correspondence, &c., sent by air mail of 16th December for onward transmission by safe opportunity from Baghdad.

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* No. 203.

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C. 98026/32 [No. 199].

No. 205.

FOREIGN OFFICE to COLONIAL OFFICE.

SIR, Foreign Office, S.W.1, 29th December, 1932.

I AM directed by Secretary Sir John Simon to acknowledge receipt of Colonial Office Confidential letter of the 27th December,* regarding the Kuwait oil concession.

2. In reply I am to state that Sir John Simon shares the view of Secretary Sir P. Cunliffe-Lister that in the circumstances the action proposed by the Political Resident, in his private and personal telegram of the 24th December,† should be approved, and concurs generally in the terms of the draft telegram enclosed in your letter, subject to the following amendment.

3. In regard to paragraph 5 (*e*) of Lieutenant-Colonel Fowle's telegram, it would in Sir John Simon's opinion be well to instruct him that the proposed communication should not be made to the representatives of the Anglo-Persian Oil Company and of the Eastern and General Syndicate until the Sheikh of Kuwait has had time to consider his decision fully and to discuss the matter with Lieutenant-Colonel Fowle, since they might otherwise attempt to influence the Sheikh's decision so soon as they learn that he is in possession of the views of His Majesty's Government.

4. Copies of this letter are being sent to the India Office, Admiralty, War Office, Air Ministry, Treasury and Petroleum Department.

I am, &c.,
G. W. RENDEL.

C. 98026/32 [No. 200].

No. 206.

THE SECRETARY OF STATE to THE POLITICAL RESIDENT.

(Sent 7.30 p.m., 30th December, 1932.)

TELEGRAM.

PRIVATE and personal. Course of action which you suggest in your private and personal telegram 24th December† fully approved. It is, however, important that you should await receipt of air mail from India Office which left London on the 17th December and which is referred to in telegram No. 3281 of 20th December‡ from India Office before discussions with the Sheikh are opened and Dickson should be in possession of the relevant correspondence contained therein. As regards proposed communication to representatives of Companies see paragraph 5 E of your telegram it is assumed that this will not be made until Sheikh has had time fully to consider his decision and has discussed the matter with you.

C. 98026/32 [No. 208].

No. 207.

SIR L. OLIPHANT (FOREIGN OFFICE)

to

MR. R. ATHERTON (UNITED STATES EMBASSY).

(Copy received in Colonial Office, 31st December, 1932.)

DEAR ATHERTON, Foreign Office, S.W.1, 23rd December, 1932.

WE have made inquiries about the point which you mentioned to Vansittart yesterday morning in connexion with the question of the proposed Kuwait Oil Concession.

As you know, it concerns a number of different departments of His Majesty's Government and at every stage complicated interdepartmental discussions have been necessary. As Vansittart told your Ambassador in his letter of the 11th November,§

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* No. 203. † No. 202. ‡ Enclosure in No. 204. § No. 181.

the document embodying the result of the examination of the two draft Concessions submitted by the Eastern and General Syndicate and by the Anglo-Persian Oil Company respectively had, at that date, been already despatched to the British Authorities in the Persian Gulf. But I fear that the suggestion in Vansittart's letter of 11th November that this document would within a very short time of its receipt by them be communicated to the Shaikh for his consideration was somewhat over optimistic. Further interdepartmental discussions have had to take place in the interval, and have thus caused some further delay in the communication of the document to the Shaikh.

I have now done all I can to speed matters up, and the local British authorities should now be in a position to proceed in the matter with the Shaikh in the very near future.

I am so sorry for this recent and quite unexpected additional delay which has arisen but which has now been terminated.

LANCELOT OLIPHANT.

18119/33 [No. 1].

No. 208.

THE POLITICAL RESIDENT to THE SECRETARY OF STATE.

(Received 9th January, 1933.)

(Confidential.)
(No. 50.)

THE Honourable the Political Resident in the Persian Gulf presents his compliments to His Majesty's Secretary of State for the Colonies, London, and has the honour to transmit to him a copy of a letter from the General Manager, the Anglo-Persian Oil Company, Limited, Abadan, on the subject of the Oil Concession.

British Residency and Consulate-General,
Bushire,
17th December, 1932.

Reference to previous correspondence: Colonial Office, Confidential letter, dated 10th November, 1932.*

Copy sent to the Foreign Secretary to the Government of India.

Enclosure in No. 208.

(Confidential.)

SIR, Abadan Refinery, Persian Gulf, 1st December, 1932.

FURTHER to our letter of the 24th November, 1932, we have the honour to submit herewith a further copy of our revised draft Kuwait Agreement. It will be observed that this contains certain additions and revisions in comparison with our draft of 24th November, which should be regarded as cancelled.

A copy of this draft is being sent to the Political Agent, Kuwait, and a copy, with Arabic translation, will be presented to His Excellency the Shaikh as soon as negotiations commence.

We have, &c.
(for Anglo-Persian Oil Co., Ltd.),
E. H. O. ELKINGTON,
General Manager.

To the Honourable
The Political Resident in the Persian Gulf,
Bushire.

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* C. 98019/32 [No. 42]: not printed.

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THIS is an AGREEMENT made at Kuwait on the . . . . (hereinafter called the " Agreement date ") in the year 1932 between His Excellency Shaikh Sir Ahmad al-Jabir as-Subah, Knight Commander of the Most Eminent Order of the Indian Empire and Companion of the Most Exalted Order of the Star of India, the SHAIKH OF KUWAIT (hereinafter called " the Shaikh ") on his own behalf and in the name of and on behalf of his heirs and successors in whom is or shall be vested the responsibility for the control and government of the Principality of Kuwait and the ANGLO-PERSIAN OIL COMPANY LIMITED (hereinafter called " the Company ") relating to the search for production and handling of petroleum within the territories of Kuwait.

Article 1. The Shaikh hereby grants to the Company the exclusive right throughout the whole of his territories as shown generally on the map annexed hereto,* excepting only the area within the present town wall of Kuwait as well as mosques, sacred buildings and graveyards, but including all islands appertaining to Kuwait (hereinafter called " the defined area "), to explore and search for petroleum and cognate substances (hereinafter collectively referred to as " petroleum ") for a maximum period of two years, that is until the Agreement date in 1934 at the latest, on the conditions set forth below.

Article 2. Until the Agreement date in 1936 the Company shall have the exclusive right to drill within the defined area and within a period of two years (hereinafter called the " drilling years ") terminating prior to that date the Company shall so drill in a workmanlike manner to a total depth overall of at least 4,000 feet at such and so many places as the Company may decide. The Company shall duly close any unproductive holes drilled by it and subsequently abandoned.

Article 3. As from the Agreement date in 1936 or from the Agreement date next following the termination of the drilling years the Shaikh undertakes to grant for 70 years to the Company on the request of the Company the exclusive rights to search for and produce petroleum within the defined area and the right to refine petroleum within and to export petroleum or its products from the territories of Kuwait on the conditions set forth below.

Article 4. (A) In consideration of the rights granted by the Shaikh to the Company hereunder and of the assistance and protection which the Shaikh shall afford to the Company and its employees and property the Company shall pay to the Shaikh on the Agreement date in each year the following sums:—

On signature of the Agreement	Rs. 50,000
On each subsequent Agreement date:—	
(*a*) prior to the drilling years	Rs. 20,000
(*b*) during the drilling years	Rs. 25,000
(*c*) after the grant by the Shaikh of the rights specified in Article 3 above but prior to the declaration mentioned in (*d*) below.	Rs. 25,000 or royalty of Rs. 2/10/- for every 1 ton of petroleum obtained and saved from the ground over and above the petroleum required for the Company's operations hereunder whichever shall be the greater sum.
(*d*) After the Company shall have declared that petroleum has been found in commercial quantities and quality	Rs. 50,000 in addition to royalty of Rs. 2/10/- as above defined subject to a minimum in total of (i) Rs. 65,000 on the first Agreement date after the declaration has been made; (ii) Rs. 80,000 on the second such Agreement date; and (iii) Rs. 100,000 on the third and each subsequent such Agreement date;

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* Not reproduced.

save only in the case of interruption of the Company's operations hereunder by reason of events outside the control of the Company in which case the payment prescribed under (*d*) shall be made at the annual rate of Rs. 25,000.

(*e*) A royalty of two annas per thousand cubic feet of all natural gas sold.

(B) The Company shall measure by approved methods all petroleum produced under Article 3 above and shall keep full and correct accounts of all petroleum so produced and of the petroleum consumed in the Company's operations hereunder.

Article 5. In connexion with its operations hereunder the Company shall have the right in the territories of Kuwait without hindrance to construct and to operate power stations, refineries, pipelines and storage tanks, telegraph, telephone, and wireless installations, roads, railways, tramways, buildings, wharves and jetties; with such lighting as may be requisite and any other works found necessary, and for such purposes to use free of all taxes and payments to the Shaikh (but not for export) any stone, sand, lime, gypsum, clay or water which may be available and may be required for its operations hereunder, provided always that the water supply of the local inhabitants and nomad populations who may be dependent on the same is not endangered. The Company shall at its discretion but in consultation with the Shaikh select the position of any such works. The Company may likewise utilise without hindrance all such means as may be necessary for the effective conduct of its operations hereunder.

Article 6. In consideration of the payments by the Company prescribed in Article 4 hereof and to assist in the development of the natural resources of Kuwait the Company shall have the right for the purposes of its operations hereunder freely to import or export without any taxes, duties or payments to the Shaikh all machinery, materials, equipments or goods which may be required.

Article 7. The Company shall have the right to import water free for its operations and employees and the right to purchase at current market rates fuel and food and other supplies of every kind in connexion with its operations hereunder and the Company shall employ subjects of the Shaikh as far as possible for all work for which they are suited under the supervision of the Company's skilled employees.

Article 8. The Shaikh grants to the Company free of cost the free use and occupation of all land belonging to the Shaikh which the Company may need for the purposes of its operations hereunder; it is furthermore agreed between the Shaikh and the Company that the Company may buy or lease for such purposes any lands, houses or buildings on conditions to be arranged with the proprietors thereof, but at rates not in excess of those ordinarily current in their respective localities.

On the termination of this Agreement all lands granted by the Shaikh and any lands or buildings which the Company may have bought and any houses or buildings constructed by the Company within the territories of Kuwait shall be handed over to the Shaikh free of cost.

Article 9. All lands granted by the Shaikh to the Company and all lands, houses and buildings acquired by the Company, all petroleum produced as well as any profits therefrom shall be free of all taxes and duties or payments (excepting always the payments provided in Article 4 hereof) to the Shaikh during the period of this Agreement.

Article 10. Throughout the period of this Agreement the Shaikh shall give to the Company and all its employees all protection in his power from theft, highway robbery, assault, wilful damage and destruction, but the Company in consultation with the Shaikh shall appoint and itself pay trustworthy guards under a reliable man of good standing and these guards shall protect the property of the Company and its employees at all times.

If in spite of the efforts of the said guards thefts should occur, the Shaikh undertakes to take all reasonable measures to compensate the Company for any damage sustained in his territory and for the recovery of the property stolen.

In the case of serious offences the said guards are subject to dismissal or stoppage of pay by the Company. In the event of any heavier punishment being needed, the offender shall be handed over to the representatives of the Shaikh, and the Shaikh undertakes that punishment shall be inflicted and that he will use his utmost endeavours to uphold the authority of the Company.

Article 11. If the Company shall fail to carry out its obligations hereunder or shall fail within six months after any Agreement date to pay to the Shaikh the payment due under Article 4 hereof the Shaikh acting on the advice of the Political Resident shall have the power to terminate this Agreement and all the property of

the Company then in Kuwait territory for the purposes of this Agreement shall then but on no other grounds save as provided in Article 8 above become the property of the Shaikh without payment. In the event of the Company failing to make the declaration provided in Article 4 (A) (*d*) hereof on or before the Agreement date in 1941 the Shaikh shall have the power to call upon the Company either to make the declaration forthwith or to surrender all rights under this Agreement which shall then terminate.

Article 12. With the approval of the Shaikh acting on the advice of the Political Resident the Company may transfer the obligations and benefits of this Agreement to any British Company.

Article 13. The Company shall have the right at any time after the termination of the drilling years to give the Shaikh one year's notice in advance to terminate this Agreement, and the Company shall on expiry of such notice have no further liabilities hereunder after making due payment of all moneys due to the Shaikh up to the date of termination.

Article 14. Nothing in this Agreement shall be read as restricting in any way the right of the Shaikh to grant to other parties concessions for substances other than petroleum, provided that the operations and rights of the Company hereunder are not thereby injuriously affected.

Article 15. No failure or omission on the part of the Company to carry out or perform any of the conditions of this Agreement shall give the Shaikh any claim against the Company or be deemed a breach of this Agreement in so far as the same arises from *force majeure*, and if through *force majeure* the fulfilment by the Company of any of the conditions of this Agreement be delayed, the period of such delay, together with such period as may be necessary for the restoration of any damage done during such delay, shall be added to the periods fixed by this Agreement.

Article 16. In the event of there arising between the Shaikh and the Company any dispute or difference in respect of the interpretation of this Agreement or the rights or responsibilities of the Shaikh or of the Company therefrom resulting, such dispute or difference shall be submitted to two arbitrators one of whom shall be named by the Shaikh and one by the Company and to an umpire who shall be appointed by the arbitrators before they proceed to arbitrate.

The decision of the arbitrators, or in the event of disagreement between the arbitrators the decision of the umpire, shall be final.

Article 17. This Agreement is written in English and translated into Arabic. If there should at any time be disagreement as to the meaning or interpretation of any clause in this Agreement the English text shall be regarded as binding.

In witness whereof the partes to this Agreement have set their hands the day and year first above written.

Shaikh of Kuwait.	On behalf of the Anglo-Persian Oil Company, Limited.
In the presence of	In the presence of

C. 98026/32 [No. 209].

No. 209.

MR. J. G. LAITHWAITE (India Office)

to

MR. S. I. JAMES (Colonial Office).

Dear James, India Office, Whitehall, S.W.1, 12th January, 1933.

With reference to the private and personal telegram from the Secretary of State for the Colonies to the Political Resident dated 30th December* (your Confidential

* No. 206.

letter dated 31st December)* I write to say that we have now heard from Fowle that he received the papers sent from the India Office by the air mail of 17th December at Kuwait on 11th January.

I am sending copies of this letter to Warner, Starling, Peirse, Grieve, Murray and Moore.

Yours, &c.,
J. G. LAITHWAITE.

18126/33 [No. 10].

No. 210.

FOREIGN OFFICE to COLONIAL OFFICE.

(Confidential.)

THE Under-Secretary of State for Foreign Affairs presents his compliments to the Under-Secretary of State for the Colonies and, by direction of the Secretary of State, transmits herewith a copy of correspondence with Sir John Cadman on the subject of the Kuwait Oil Concession.

Foreign Office,
14th January, 1933.

Reference to previous correspondence: Colonial Office letter of 23rd December, 1932.†

Copies also sent to India Office, Admiralty and Petroleum Department.

Enclosure in No. 210.

SIR L. OLIPHANT (Foreign Office) to SIR JOHN CADMAN.

Foreign Office, S.W.1, 30th December, 1932.

HALL derived from his short talk with you on the 23rd December the impression that you had practically succeeded in making arrangements with the Mellon oil group under which they and you would take up the proposed Kuwait oil concession on a fifty-fifty basis, and that there was some prospect also of arranging that the Burma Oil Company should take over the Bahrein oil concession. From your remarks to me, however, I gathered that the Mellon group intended to go on pressing their interests in Kuwait as much as possible, if only as a potential "nuisance-asset."

2. The United States Government are as you may know much interested in the question of the proposed Kuwait concession and we have frequent correspondence and conversations with the United States Embassy about it. Would you therefore, very kindly let me know in more detail the actual present position of your negotiations with the Mellon group in order that we may know how to guide our steps in discussing the matter with the Americans? Other Government departments besides the Foreign Office being intimately concerned in the Kuwait oil question, it might help us to mention your negotiations with the Mellon group in discussing it with them. It would be of special interest to know how near the negotiations are to a successful conclusion.

3. Anything more you can tell us of the proposal that the Burma Oil Company should take over the Bahrein oil concession would also be of interest.

LANCELOT OLIPHANT.

SIR JOHN CADMAN to SIR L. OLIPHANT (Foreign Office).

Britannic House, Finsbury Circus,
London, E.C.2, 31st December, 1932.

MY DEAR OLIPHANT,

THANKS for your letter of the 30th, I gave Hall an impression of what I thought might ultimately arise in connexion with the Kuwait negotiations in view of my discussions with the Mellon group, and also what I hoped might eventuate regarding Bahrein. In the meantime, there is nothing concrete but, believe me, we are in full cry for the Kuwait Concession and shall press to the bitter end, unless of course we are able to fix things up with the Mellon people.

I will speak to you about it next time I see you.

Yours, &c.,
JOHN CADMAN.

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* C. 98026/32 [No. 204]: not printed. † C. 98026/32 [No. 180]: not printed.

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18119/33 [No. 6].

No. 211.

THE POLITICAL RESIDENT to THE SECRETARY OF STATE.

(Received 4.39 p.m., 14th January, 1933.)

TELEGRAM.

[*Answered by No.* 227.]

14TH JANUARY. I have to-day Saturday informed local representative of the Anglo-Persian Oil Company that I have presented to the Shaikh of Kuwait comments of His Majesty's Government on the Anglo-Persian Oil Company and Eastern and General Syndicate proposals for oil concession and that he can begin negotiations with the Shaikh. As Holmes is absent in London I suggest that Syndicate principal should be informed of the above.

18119/33 [No. 7].

No. 212.

THE POLITICAL RESIDENT to THE SECRETARY OF STATE.

(Received 17th January, 1933.)

[*Answered by No.* 227.]

(Confidential.)
(No. 52.)

British Residency and Consulate-General,
Bushire, 27th December, 1932.

SIR,

IN continuation of my printed letter dated 17th December, 1932,* I have the honour to enclose herewith a copy of a letter dated 19th December, 1932, from the General Manager, Anglo-Persian Oil Company, Limited, Abadan.

2. The position, as you will see, is that the Anglo-Persian Oil Company have two drafts, which, for convenience, I will refer to as A and B. A is the draft (revised form) submitted by the Company in August, 1932 (forwarded under my despatch No. 36, dated 25th August, 1932†), and commented on by the Petroleum Department, *vide* your despatch Confidential, dated 10th November, 1932.‡ B is the one submitted to you under my printed letter referred to above. There are also certain points in the Company's letter forwarded herewith, which the Company have not yet revealed to me. These I will call C.

3. As you will see from paragraph 1 of the Company's letter enclosed herewith, the Company proposes to initiate negotiations with B, and follow this up with C, if necessary. It is evident therefore that the negotiations will take some time, as presumably the Eastern and General Syndicate also have modifications ready to concede to the Shaikh, if necessary.

4. With reference to the query in the last paragraph of the Company's letter I propose to reply that they can initiate and conduct negotiations without further reference as soon as the Political Agent has informed their representative that the Shaikh of Kuwait has received the comments of His Majesty's Government, the Political Agent or myself only intervening if called upon to clear up any points which are doubtful, or which appear to need further reference to His Majesty's Government. I would be glad of telegraphic approval of this course of action.

I am sending a copy of this letter to the Government of India.

I have, &c.,
T. C. FOWLE,
Lieutenant-Colonel,
Political Resident in the Persian Gulf.

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* No. 208. † No. 160. ‡ C. 98019/32 [No. 42]: not printed.

Enclosure in No. 212.

(Confidential.)

SIR, Abadan Refinery, Persian Gulf, 19th December, 1932.

WE beg to refer to our letter of the 1st December to which was attached a copy of our revised draft Kuwait Agreement which we intend to present to His Excellency the Shaikh of Kuwait as soon as permission is received to proceed with negotiations.

We omitted to mention in our letter that there are certain points not included in this draft Agreement which we shall be prepared to concede, in whole or in part, in the course of negotiations. We shall of course keep you and the Political Agent, Kuwait, closely informed of any such concessions made during negotiations. If, however, there should be any question of submitting our revised draft Agreement again to His Majesty's Government before negotiations are reopened it occurs to us that you might possibly desire to be made aware of these points in order to inform His Majesty's Government that we have them in mind.

If this should be so, perhaps you will kindly let us know and we will at once submit full details to you. We hope, however, that the procedure will be that we are permitted to initiate negotiations on the basis of our revised draft without another prior reference to His Majesty's Government keeping you, of course, closely advised of developments.

We have, &c.
(for Anglo-Persian Oil Company, Limited),
E. H. O. ELKINGTON,
General Manager.

The Honourable the Political Resident
in the Persian Gulf,
Bushire.

18126/33 [No. 2].

No. 213.

COLONIAL OFFICE to EASTERN AND GENERAL SYNDICATE, LIMITED.

SIR, Downing Street, 17th January, 1933.

I AM directed by Secretary Sir Philip Cunliffe-Lister to refer to the letter from this Department of the 14th October* regarding the application of the Eastern and General Syndicate, Limited, for the grant of an oil concession in Kuwait, and to inform you that a telegram has been received from the Political Resident in the Persian Gulf in which he requests that your Syndicate may be informed that he has now presented to the Shaikh of Kuwait the comments of His Majesty's Government on their proposals and those of the Anglo-Persian Oil Company.

2. The Resident has notified the local representative of the Anglo-Persian Oil Company of the position.

I am, &c.,
O. G. R. WILLIAMS.

18119/33 [Nos. 8-11].

No. 214.

COLONIAL OFFICE

to

[1] FOREIGN OFFICE.
[2] INDIA OFFICE.
[3] ADMIRALTY.
[4] PETROLEUM DEPARTMENT.

[*Answered* [2] *by No.* 220.]

SIR, Downing Street, 21st January, 1933.

WITH reference to the letter from this Department of the 16th of January† regarding the application of the Anglo-Persian Oil Company for an oil concession in Kuwait I am directed by Secretary Sir Philip Cunliffe-Lister to transmit to you, to be

* No. 170. † 18119/33 [Nos. 2-5]: not printed.

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laid before [*To* [1]: Secretary Sir John Simon] [*To* [2]: Secretary Sir Samuel Hoare] [*To* [3]: the Lords Commissioners of the Admiralty] [*To* [4]: the Secretary for Mines], a copy of a further despatch* on this subject from the Political Resident in the Persian Gulf, and to inquire whether [*To* [1]: he sees] [*To* [2]: he sees] [*To* [3]: Their Lordships see] [*To* [4]: he sees] any objection to the approval of His Majesty's Government being conveyed to the Resident as requested in paragraph 4 of his despatch.

2. Similar letters are being addressed to the [*To* [1]: India Office, Admiralty, and Petroleum Department]. [*To* [2]: Foreign Office, Admiralty, and Petroleum Department]. [*To* [3]: Foreign Office, India Office, and Petroleum Department]. [*To* [4]: Foreign Office, India Office, and Admiralty].

I am, &c.,
O. G. R. WILLIAMS.

18126/33 [No. 11].

No. 215.

MR. A. C. C. PARKINSON (COLONIAL OFFICE)

to

LIEUTENANT-COLONEL T. C. FOWLE (POLITICAL RESIDENT).

(Personal and Confidential.)

MY DEAR FOWLE, Downing Street, 23rd January, 1933.

I THINK you will be interested to see the accompanying copy of correspondence† between Sir Lancelot Oliphant and Sir John Cadman about the Kuwait Oil Concession.

The suggestion made in this correspondence of a possible sharing arrangement between the Mellon group and the Anglo-Persian Oil Company is quite new to us, and, so far as we can gather, to the other interested Departments of His Majesty's Government.

Yours, &c.,
A. C. C. PARKINSON.

18126/33 [No. 13].

No. 216.

THE POLITICAL RESIDENT to THE SECRETARY OF STATE.

(Received 23rd January, 1933.)

(Confidential.)
(No. 54.)

THE Honourable the Political Resident in the Persian Gulf presents his compliments to His Majesty's Secretary of State for the Colonies, London, and has the honour to transmit to him a copy of a telegram from the Political Agent, Kuwait, on the subject of the movements of Major Holmes.

British Residency and Consulate-General,
Bushire.
31st December, 1932.

Copy sent to the Foreign Secretary to the Government of India, New Delhi.

Enclosure in No. 216.

POLITICAL AGENT, KUWAIT, to POLITICAL RESIDENT, BUSHIRE.

(Received 31st December, 1932.)

TELEGRAM.

30TH DECEMBER. No. 221. Shaikh returned with Holmes yesterday (from Bahrein). Latter paid all expenses of trip including aeroplane fares both ways. On arrival at Kuwait Holmes delivered official message from his Company inviting Shaikh to London as their guest coming summer.

Last night Holmes suddenly left by car to catch westbound air mail for London at Basrah without notifying anybody but Shaikh.

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* No. 212. † Enclosure in No. 210.

18126/33 [Nos. 18-21].

No. 217.

MR. K. W. BLAXTER (COLONIAL OFFICE)

to

[1] MR. C. F. A. WARNER (Foreign Office).
[2] MR. J. G. LAITHWAITE (India Office).
[3] COMMANDER J. W. RIVETT-CARNOC (Admiralty).
[4] MR. H. P. W. GIFFARD (Petroleum Department).

[*Answered* [4] *by No.* 219.]

Downing Street, 28th January, 1933.

DEAR [*To* [1] WARNER,] [*To* [2] LAITHWAITE,]
[*To* [3] RIVETT-CARNOC,] [*To* [4] GIFFARD,]

WILL you please refer to our official letter of the 21st of January* regarding the application of the Anglo-Persian Oil Company for an oil concession in Kuwait.

We feel that things may not be going quite according to plan and should, therefore, like to get off a telegram to the Resident in the Persian Gulf without delay. I enclose a draft telegram which is, I think, self explanatory, and should be grateful if you can let me know by 'phone, if possible on Monday, whether the [*To* [1] Foreign Office] [*To* [2] India Office] [*To* [3] Admiralty] [*To* [4] Petroleum Department] concur in its terms.

Yours, &c.,
K. W. BLAXTER.

Enclosure in No. 217.

DRAFT TELEGRAM TO RESIDENT, PERSIAN GULF.

No. . YOUR despatch of 27th December No. 52 and telegram of 14th January Kuwait Oil. You will have seen from my private and personal telegram of 30th December that assumption has been that no communication would be made to Companies until Shaikh had been given time fully to consider his decision and had discussed matter with you. Procedure actually adopted seems to leave it open to Shaikh to postpone decision till after further negotiations with both companies. Please telegraph whether Shaikh has shown any indication of making choice between respective applications and if not, whether he is likely to do so in the near future.

On receipt of your telegram 14th January Eastern and General merely informed (1) that you had telegraphed asking that they be advised that you had now presented to Shaikh comments of His Majesty's Government on their proposals and those of Anglo-Persian, and (2) that you had notified local representative of Anglo-Persian of the position.

18126/33 [No. 22].

No. 218.

ADMIRALTY to FOREIGN OFFICE.

(Copy received in Colonial Office, 28th January, 1933.)

(Confidential.)

SIR, Admiralty, S.W.1, 27th January, 1933.

WITH reference to your letter of 14th January, 1933,† transmitting copies of correspondence between Sir Lancelot Oliphant and Sir John Cadman concerning the Kuwait Oil Concession, I am commanded by My Lords Commissioners of the Admiralty to offer the following observations for the consideration of the Secretary of State for Foreign Affairs.

2. The object of the Admiralty in this matter has consistently been to secure that these oil supplies shall be available in war, and to guard against United States penetration in the Persian Gulf.

* No. 214. † No. 210.

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3. As, however, United States oil interests have obtained a footing in the Gulf, My Lords consider it desirable to ensure that, if any arrangement is arrived at between the Anglo-Persian Oil Company and the Mellon Group in respect of Kuwait, United States oil interests should concede to British oil interests compensating advantages elsewhere in the Gulf.

4. Taking the whole Western shore of the Gulf, the situation appears to be as follows:—

Kuwait—may go to Anglo-Persian Oil Company, or United States interests, probably the former.
Hasa—it may be assumed that, with the resumed United States interest in the Gulf generally, United States interest in this area has been revived.
Bahrein—secured by United States interests.
Qatr—secured by Anglo-Persian Oil Company for 2 years.

5. It appears to My Lords that, in order to safeguard British strategic interests, His Majesty's Government should at least aim at the following:—

(*a*) The transfer of the oil interests at Bahrein to the Burmah Oil Company;
(*b*) Any Anglo-American arrangement including Hasa as well as Kuwait;
and (*c*) making it a condition that British influence must predominate in any Anglo-American combine.

6. They consider that in any case it should be made clear to Sir John Cadman that a bargain on a 50/50 basis at Kuwait alone without adequate compensating advantages elsewhere would not be regarded as satisfactory by His Majesty's Government.

7. My Lords assume also that the safeguards set out in Colonial Office telegram to the Political Resident in the Persian Gulf of 9th May, 1932, No. 3. Confidential,* will be insisted upon, whichever party obtains the concession.

8. Copies of this letter have been sent to India Office, Colonial Office and Petroleum Department.

I am, &c.,
J. S. BARNES.

18126/33 [No. 23].

No. 219.

MR. F. C. STARLING (PETROLEUM DEPARTMENT)

to

MR. K. W. BLAXTER (COLONIAL OFFICE).

Petroleum Department (Mines Department),
Dean Stanley Street, S.W.1,
30th January, 1933.

DEAR BLAXTER,

WITH reference to your letter of the 28th January† I have had an opportunity to-day of discussing with Faulkner the draft telegram to the Resident in the Persian Gulf which accompanied your letter of the 28th January on Kuwait. We think it would be desirable to go rather further than you have done, and suggest that the following paragraph should be added at the foot of the first page:—

"If the opening up of negotiations between the Shaikh and the two applicants merely leads to a process of bargaining His Majesty's Government foresee a position of some difficulty arising which they hoped could have been avoided if the Shaikh had felt able, on the comparison of the two draft concessions submitted to him, to make up his mind as to which application he intended to select. Detailed negotiations could then have been begun with the successful applicant and the Shaikh could have been given the assistance of the local representative of His Majesty's Government in the settlement of the form of concession. You should therefore do what you can to encourage the Shaikh to reach an early decision."

Yours, &c.,
F. C. STARLING.

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* No. 140. † No. 217.

18119/33 [No. 12].

No. 220.

INDIA OFFICE to COLONIAL OFFICE.

SIR, India Office, Whitehall, London, S.W.1, 30th January, 1933.

IN reply to your letter of the 21st January,* on the subject of the Kuwait oil concession, I am directed by the Secretary of State for India to say that, as Sir Philip Cunliffe-Lister is aware, he has throughout been of opinion that it would be preferable if possible to postpone discussion of the details of the concession to be negotiated with the Shaikh of Kuwait by the successful competitor for the Kuwait concession until His Excellency has taken a definite decision in favour of one or other of the competing companies on a broad view of the financial and other major considerations involved. Once such a decision has been taken, it could be followed by detailed negotiations, with which the local representatives of His Majesty's Government could be closely associated and in the course of which steps could be taken to advise the Shaikh as to the points which it was desirable to cover either in his own interest or in that of His Majesty's Government. Subject to the views of the other interested Departments, the Secretary of State for India is inclined, therefore, to suggest that while conveying general approval to the course of action proposed by Colonel Fowle in paragraph 4 of his despatch No. 52, of 27th December, 1932,† Sir Philip Cunliffe-Lister, if he sees no objection, might also inform the Resident that His Majesty's Government are anxious that a definite decision should be taken by the Shaikh as between the competing companies with as little delay as possible; that he and the Political Agent, Kuwait, should do what they can to encourage him to take such a decision on a broad view of the financial and other major considerations involved; and that in principle it would be preferable to postpone examination of the details of a concession until such a decision has been taken. The Resident might be instructed that in these circumstances the local representatives of the Anglo-Persian Oil Company (and of the Eastern and General Syndicate if and when a similar question arises in respect of their application) should be warned that while they can initiate and conduct negotiations without further reference to His Majesty's Government on the basis of their provisional drafts, those drafts in their present form would require amendment in various particulars in the event of the Shaikh deciding in favour of the competitor concerned, but that His Majesty's Government propose to postpone communication of their views on the points in question to the Shaikh until His Excellency has reached a decision as between the applicants for an oil concession and the preparation of a final draft can more profitably be undertaken.

2. Copies of this letter are being sent to the Foreign Office, Admiralty, and Petroleum Department.

I am, &c.,
J. C. WALTON.

18126/33 [Nos. 24—26].

No. 221.

MR. K. W. BLAXTER (COLONIAL OFFICE)

to

[1] MR. C. F. A. WARNER (Foreign Office).
[2] COMMANDER J. W. RIVETT-CARNOC (Admiralty).
[3] MR. H. P. W. GIFFARD (Petroleum Department).

[*Answered* [1] *by No.* 225 *and* [3] *by No.* 226.]

Downing Street, 1st February, 1933.

DEAR [*To* [1]: WARNER,] [*To* [2]: RIVETT-CARNOC,] [*To* [3]: GIFFARD,]

WITH reference to my letter of the 28th of January‡ enclosing a draft telegram to Bushire about Kuwait oil, you will since have seen India Office official letter of the 30th of January.§

* No. 214. † No. 212. ‡ No. 217 § No. 220.

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In view of the terms of that letter, we have drafted a more comprehensive telegram to the Resident, a copy of which I enclose, to take the place of the draft sent in my letter of the 28th of January, and I shall be grateful if you can let me know by 'phone whether you concur in it.

I am writing similarly to [*To* [1]: Rivett-Carnoc, Giffard, and Laithwaite.] [*To* [2]: Warner, Giffard, and Laithwaite.] [*To* [3]: Warner, Rivett-Carnoc, and Laithwaite]

Yours, &c.,
K. W. BLAXTER.

Enclosure in No. 221.

DRAFT TELEGRAM.

(No. .)

YOUR despatch of 27th December No. 52* and telegram of 14th January,† Kuwait oil. You will have seen from last paragraph of my telegram No. 9 of 22nd December‡ and from my Private and Personal telegram of 30th December§ that intention has been that Shaikh would make his choice between two applications before initiating negotiations with successful competitor. Procedure actually adopted seems to leave it open to Shaikh to postpone decision till after further negotiations with both Companies. His Majesty's Government are anxious that definite decision should be reached by Shaikh as between competing companies as soon as possible. You and Political Agent, Kuwait, should therefore encourage him to take such decision on broad view of financial and other major considerations involved. It would be preferable to postpone examination of details of concession until such decision has been taken. I suggest, therefore, that you should warn local representatives of Anglo-Persian Oil Company and of Eastern and General Syndicate that, while they can initiate and conduct negotiations without further reference to His Majesty's Government on basis of their provisional drafts those drafts would require amendment in various particulars in event of Shaikh deciding in favour of competitor concerned, but that His Majesty's Government propose to postpone communication of their views on points in question to the Shaikh until he has reached decision as between applicants and preparation of final draft can more profitably be undertaken.

Please telegraph whether Shaikh has shown any indication of taking decision, and if not, whether he is likely to do so in the near future.

On receipt of your telegram of 14th January Eastern and General Syndicate merely informed—

(1) that you had telegraphed asking that they be advised that you had presented to Shaikh comments of His Majesty's Government on their proposals and those of Anglo-Persian; and
(2) that you had notified local representative of Anglo-Persian of the position.

18126/33 [No. 27].

No. 222.

MR. K. W. BLAXTER (COLONIAL OFFICE)

to

MR. J. G. LAITHWAITE (INDIA OFFICE).

[*Answered by No.* 224.]

MY DEAR LAITHWAITE, Downing Street, 1st February, 1933.

WITH reference to my letter of the 28th of January‖ enclosing the draft of a telegram to the Resident in the Persian Gulf about Kuwait oil, we have now produced a more comprehensive draft as a result of your official letter of the 30th of January.¶

I enclose a copy of this draft,** and shall be very glad if you will let me know whether the India Office concur in it.

I am writing similarly to Warner, Rivett-Carnoc and Giffard.

Yours, &c.,
K. W. BLAXTER.

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* No. 212. † No. 211. ‡ No. 198. § No. 206. ‖ No. 217. ¶ No. 220
** Enclosure in No. 221.

18126/33 [No. 28].

No. 223.

MR. J. G. LAITHWAITE (India Office)

to

MR. C. F. A. WARNER (Foreign Office).

(Copy received in Colonial Office, 1st February, 1933.)

(Confidential.) India Office,

My dear Warner, Whitehall, S.W.1, 19th January, 1933.

We were much interested in the correspondence between Oliphant and Cadman enclosed in your official letter of 14th January,* about the proposed Kuwait oil concession. We are not, however, quite clear as to the precise nature of the arrangement which Cadman has in view and while the discussions are apparently still at a very early stage, and the Shaikh's decision as between the Eastern and General Syndicate and the Anglo-Persian Oil Company will vitally affect matters, we shall be very grateful for some further information about it.

2. The important point is the nature of the 50-50 basis which apparently figures in the discussions. Does this mean merely that, in the event of the Shaikh deciding to grant the Kuwait concession to the Anglo-Persian Oil Company, the Anglo-Persian Oil Company and the Mellon group might reach an understanding under which *distribution* of oil won from Kuwait would be on a 50-50 basis, the actual exploitation of the concession remaining entirely in British hands? (If this is correct, consideration might, I suppose, have to be given to the securing to His Majesty's Government of a right of pre-emption over the whole supply in the event of war—though that is not primarily an India Office point.)

3. Alternatively, is there any question in any circumstances of the Anglo-Persian Oil Company contemplating—

(*a*) the concession ceasing to be under *bona fide* majority British control;

(*b*) the introduction of American personnel to develop the Kuwait concession, or the transfer of exploitation of that concession to American interests?

4. As you will appreciate, after so much heavy weather has been made with the Shaikh (and here) over the question of the concession and of safeguards, a very embarrassing position might arise were we suddenly confronted with an understanding between the Anglo-Persian Oil Company and the Americans the result of which would be to make it necessary to ask the Shaikh's approval to the introduction of a really effective American interest without his having any option to choose between competing companies; and if there is any risk of this, it may be thought well to warn Cadman of the possible difficulties well in advance.

5. I am sending copies of this letter to Starling and Moore.

Yours, &c.,
J. G. LAITHWAITE.

18126/33 [No. 29].

No. 224.

MR. J. G. LAITHWAITE (India Office)

to

MR. K. W. BLAXTER (Colonial Office).

My dear Blaxter, India Office, London, S.W.1, 2nd February, 1933.

Many thanks for your letter of 1st February† about Kuwait oil. We are not entirely happy about the opening part of the draft telegram and we are particularly anxious to avoid any misunderstanding on the part of the Resident. We would therefore prefer, if you see no objection, to redraft it to run as follows:—

"You will have seen from the last paragraph of my telegram No. 9 of 22nd December‡ and from my private and personal telegram of 30th December§ that we had hoped that in light of Petroleum Department memorandum and discussions with you and Dickson Shaikh would have felt able to make early if not necessarily immediate decision as between competing companies on broad view of financial and

* No. 210. † No. 222. ‡ No. 198. § No. 206.

other major considerations involved. There seems some danger now that decision may be unduly delayed if it is held up pending discussion of minor details with competitors. His Majesty's Government are anxious that definite decision on broad view of relative advantages should be reached by Shaikh as soon as possible and you and Political Agent, Kuwait, should do what you can to bring this about.

"It would be preferable to postpone examination of details in conecssion (which will incidentally raise important points in connexion with safeguards) until such decision has been taken. . . ."

2. I am sending copies of this letter to Warner, Rivett-Carnoc at the Admiralty, and Giffard of the Petroleum Department.

Yours, &c.,
J. G. LAITHWAITE.

18126/33 [No. 30].

No. 225.

MR. C. F. A. WARNER (Foreign Office)

to

MR. K. W. BLAXTER (Colonial Office).

My dear Blaxter, Foreign Office, S.W.1, 3rd February, 1933.

With reference to your letter of the 1st February,* and Laithwaite's letter to you, of yesterday,† about the draft telegram to Fowle on Kuwait oil, I write to let you know that we were not quite happy about some points and would therefore like to suggest the redraft, of which I enclose a copy.‡

The main points on which we see difficulty in the previous drafts are:—(*a*) The proposal to instruct Fowle that he and the Political Agent at Kuwait should do what they could to induce the Shaikh to take an early decision as between the Anglo-Persian Oil Company and the Eastern and General Syndicate. We quite agree that the sooner a decision is taken the better. But to instruct Fowle in the sense proposed would be dangerous, as laying us open to the charge of taking advantage of the absence of the local representative of the Eastern and General Syndicate to induce the Shaikh to take a definite decision, when, since he has received His Majesty's Government's views, he has had opportunity of discussion with only the Anglo-Persian Oil Company representative. We think it better then to try to achieve the same result by having it pointed out to the Shaikh that discussions on points of detail are really useless until the decision between the two Companies has been taken. (*b*) We feel nervous about the passage in your draft instructing Fowle to tell the Companies' local representative that they can initiate and conduct negotiations with the Shaikh without further reference to His Majesty's Government. We feel, and the India Office, I understand, are inclined to agree, that if the representatives of the Companies were told that they could go ahead without reference to His Majesty's Government, and discussions proceeded without our being kept even generally informed, the Shaikh might get himself tied up in all sorts of ways. The Companies' representatives on the other hand might easily be misled as to the distance they could usefully go in detailed discussions with the Shaikh, and in the course of those discussions might vary important features in their proposals in a manner which afterwards His Majesty's Government would have to advise the Shaikh to reject. The Companies would be negotiating on an uncertain basis and might proceed a long way on a false basis, whereas His Majesty's Government might be placed in a very embarrassing position when they had eventually to raise objections on points which might vitally affect the Companies' offers. This point, too, we think, can be covered by the line taken in our draft.

I have been in touch with Laithwaite on these points, and he has let me know that the India Office would see no objection to our draft.

I am sending copies of this letter to Laithwaite, Rivett-Carnoc and Giffard.

Yours, &c.,
C. F. A. WARNER.

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* No. 221. † No. 224. ‡ Not printed here.

18126/33 [No. 37].

No. 226.

MR. F. C. STARLING (PETROLEUM DEPARTMENT)

to

MR. K. W. BLAXTER (COLONIAL OFFICE).

[*Answered by No.* 229.]

Petroleum Department (Mines Department),
Dean Stanley Street, S.W.1, 4th February, 1933.

DEAR BLAXTER,

WITH reference to your letter of 1st February* enclosing draft telegram to the Political Resident in the Persian Gulf and Warner's letter of 3rd February† enclosing revised draft, I am prepared to concur generally in the draft in its revised form but I still think it would be desirable to insert something on the following lines on the 1st page, line 13, after the words "major considerations involved":—

"Procedure by way of bargaining between the two applicants is not considered likely to simplify the problem of deciding which of the applications is better in the Shaikh's interests. It may well lead to further difficulties and the Shaikh becoming involved in the discussion of details of draft concessions with competitors."

Yours, &c.,
F. C. STARLING

18119/33 [No. 13].

No. 227.

THE SECRETARY OF STATE to ACTING RESIDENT

(Sent 4.30 p.m., 4th February, 1933.)

TELEGRAM.

[*Answered by Nos.* 228, 231, *and* 233.]

(Paraphrase.)

No. 2. KUWAIT oil. Your despatch No. 52 of 27th December‡ and your telegram of 14th January.§

From the last paragraph of my telegram No. 9 of 22nd December‖ you will have seen that it was hoped that in the light of the memorandum of the Petroleum Department and of the discussions with Dickson and you, that Shaikh would have felt able to make an early if not necessarily immediate decision as between the competing companies on broad view of the financial and other major considerations involved. There seems some danger now that decision may be delayed unduly and the position may become complicated by a discussion of the details of draft concessions to competitors. This would be likely incidentally to raise important points regarding safeguards and such questions as railways, telegraphs, exclusion of certain areas, &c., on which it will be necessary to receive the advice of His Majesty's Government. Unless you see objection therefore I shall be glad if you will point out to Shaikh the desirability of a discussion of such details being avoided until a decision between competitors is reached.

Also you will doubtless ensure that Shaikh gives representatives of companies clearly to understand that it is a condition of discussions that he may, after decision as between competing companies has been taken, require such amendment of draft agreement on any point on which His Majesty's Government recommend him to insist (see the last sentence of the penultimate paragraph of my telegram of 22nd December No. 9).

In itself this proviso makes a detailed discussion of any but the financial and general features of draft concessions useless at this stage. The Shaikh can, I presume, be relied upon to notify Political Agent of the course of discussions with companies representatives.

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* No. 221. † No. 225 ‡ No. 212. § No. 211. ‖ No. 198.

Telegraph whether Shaikh has shown any indication of taking any decision, and if not, whether there is any likelihood to his doing in near future.

The information given on the receipt of your telegram of the 14th January to Eastern and General Syndicate was merely—

(1) that you had telegraphed asking that they be advised that you had presented to Shaikh comments of His Majesty's Government on their and Anglo-Persian proposals, and

(2) that local representative of Anglo-Persian had been notified of the position by you.

18119/33 [No. 14].

No. 228.

THE ACTING RESIDENT to THE SECRETARY OF STATE.

(Received 3.18 p.m., 6th February, 1933.)

TELEGRAM.

(Paraphrase.)

6TH FEBRUARY. Your telegram No. 2 of 4th February.* Necessary action has either already been taken or is being taken through Political Agent, Kuwait. I am communicating with Political Agent, Kuwait, by air mail, and he will telegraph reply to your paragraph 3.

Letter follows by air mail leaving here 9th February.

18126/33 [No. 38].

No. 229.

MR. K. W. BLAXTER (COLONIAL OFFICE)

to

MR. F. C. STARLING (PETROLEUM DEPARTMENT).

[*Answered by No.* 230.]

Downing Street, 8th February, 1933.

DEAR STARLING,

THANK you for your letter of the 4th of February† about the proposed Kuwait oil concession.

You will now have seen from our official letter of the 7th February,‡ in which we enclosed a copy of the telegram as it was actually sent to the Resident in the Persian Gulf, that we did not include the addition which you suggested. The India Office were not very keen on putting it in as you know, nor were we, as we felt that your point was fairly well covered by the first paragraph of the telegram read as a whole. Furthermore, it was essential to get the telegram off on Saturday as the Resident was shortly leaving Bushire for a tour in the Gulf and there would not have been time to get general agreement as to the addition which you proposed, or some variation of it.

This is just a line to explain why your amendment was not adopted. I am sure you will understand that if there had been more time, we should have made every effort to get some form of words to meet your point.

Yours, &c.,
K. W. BLAXTER.

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* No. 227. † No. 226. ‡ 18126/33 [No. 35]: not printed.

18126/33 [No. 39].

No. 230.

MR. F. C. STARLING (PETROLEUM DEPARTMENT)

to

MR. K. W. BLAXTER (COLONIAL OFFICE).

Petroleum Department (Mines Department),
Dean Stanley Street, S.W.1, 9th February, 1933.

DEAR BLAXTER,

THANK you for your letter of the 8th February* explaining why my amendment to the draft telegram to the Resident in the Persian Gulf was not adopted.

I quite understand the position and I indicated to Warner that if there was any real difficulty at that stage in amending the telegram further I did not wish to press the point.

Yours, &c.,
F. C. STARLING.

18119/33 [No. 16].

No. 231.

POLITICAL AGENT, KUWAIT, to THE SECRETARY OF STATE.

(Received 2.4 p.m., 11th February, 1933.)

TELEGRAM.

(Paraphrase.)

11TH FEBRUARY. Addressed to Bushire. Repeated to Colonial Office, No. 33. Reference your express letter C. 4 of the 6th February. No indication at all is shown by Shaikh of making a decision, nor according to him is he likely to do so for several weeks. He made it clear that any attempt to hurry him would be resented.

At the same time there are other signs, however, that he is moving in direction of the Eastern General Syndicate, and is only prevented from surrendering to them now because he is nervous of reaction of His Majesty's Government.

18119/33 [No. 15].

No. 232.

THE POLITICAL RESIDENT to THE SECRETARY OF STATE.

(Received 13th February, 1933.)

(Confidential.)
(No. 4/72-S.)

THE Honourable the Political Resident in the Persian Gulf presents his compliments to His Majesty's Secretary of State for the Colonies, London, and has the honour to transmit to him a copy of a letter from the Anglo-Persian Oil Company, Limited, on the subject of the Kuwait Oil Concession.

British Residency
and Consulate-General,
Bushire.
20th January, 1933.

Reference to previous correspondence: Bushire printed letter No. 50/924-S of 17th December, 1932.†

Copy sent to the Foreign Secretary to the Government of India, New Delhi.

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* No. 229. † No. 208.

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Enclosure in No. 232.

SIR,

Abadan Refinery, Persian Gulf, 3rd January, 1933.

Kuwait.

WE beg to refer to our letter 72-C/7 of 1st December, 1932, and to inform you that as a result of recommendations to our London Principals they have now authorized us to increase several of the payments which will appear in our revised draft concession which we shall present to His Excellency the Shaikh on receiving permission to open negotiations.

We enclose a revised copy of each of pages 2 and 3 of this draft and shall be greatly obliged if you will substitute these pages for those in our draft which accompanied the above-quoted letter.

For easy reference, the alterations which affect Article 4 only are as follows :—

On the signature of the Agreement...	previously Rs. 50,000 now Rs. 65,000
(*d*) after the Company shall have declared, &c.	previously Rs. 50,000 now Rs. 60,000 in addition to royalty of Rs. 2/10/- as above defined subject to a minimum in total of
	(i) previously Rs. 65,000 now Rs. 75,000 on the first Agreement date, &c.
	(ii) previously Rs. 80,000 now Rs. 90,000 on the second such Agreement date.
	(iii) previously Rs. 100,000 now Rs. 120,000 on the third and each subsequent such Agreement date.

Revised copies of these two pages of the draft have also been handed to the Political Agent, Kuwait.

We have, &c.
(for Anglo-Persian Oil Company, Ltd.),
E. H. O. ELKINGTON,
General Manager.

The Honourable the Political Resident
in the Persian Gulf,
Bushire.

Pages 2 and 3 of the draft as revised

may decide. The Company shall duly close any unproductive holes drilled by it and subsequently abandoned.

Article 3. As from the Agreement date in 1936 or from the Agreement date next following the termination of the drilling years the Shaikh undertakes to grant for 70 years to the Company on the request of the Company the exclusive rights to search for and produce petroleum within the defined area and the right to refine petroleum within and to export petroleum or its products from the territories of Kuwait on the conditions set forth below.

Article 4 (A). In consideration of the rights granted by the Shaikh to the Company hereunder and of the assistance and protection which the Shaikh shall afford to the Company and its employees and property the Company shall pay to the Shaikh on the Agreement date in each year the following sums :—

On signature of the Agreement ...	Rs. 65,000.
On each subsequent Agreement date :—	
(*a*) prior to the drilling years ...	Rs. 20,000.
(*b*) during the drilling years ...	Rs. 25,000.
(*c*) after the grant by the Shaikh of the rights specified in Article 3 above but prior to	Rs. 25,000 or royalty of Rs. 2/10/- for every 1 ton of petroleum obtained and saved from the

the declaration mentioned in (*d*) below.

(*d*) after the Company shall have declared that petroleum has been found in commercial quantities and quality.

ground over and above the petroleum required for the Company's operations hereunder—whichever shall be the greater sum.

Rs. 60,000 in addition to royalty of Rs. 2/10/- as above defined subject to a minimum of

(i) Rs. 75,000 on the first Agreement date after the declaration has been made;

(ii) Rs. 90,000 on the second such Agreement date; and

(iii) Rs. 120,000 on the third and each subsequent such Agreement date;

save only in the case of interruption of the Company's operations hereunder by reason of events outside the control of the Company, in which case the payment prescribed under (*d*) shall be made at the annual rate of Rs. 25,000.

(*e*) A royalty of two annas per thousand cubic feet of all natural gas sold.

(B) The Company shall measure by approved methods all petroleum produced under Article 3 above and shall keep full and correct accounts of all petroleum so produced and of the petroleum consumed in the Company's operations hereunder.

Article 5. In connexion with its operations hereunder the Company shall have the right in the territories of Kuwait without hindrance to construct and to operate power stations, refineries, pipelines and storage tanks, telegraph, telephone and wireless installations, roads, railways, tramways, buildings, wharves and jetties, with such lighting as may be requisite and any other works found necessary, and for such purposes to use free of all taxes and payments to the Shaikh (but not for export) any stone, sand, lime, gypsum, clay or water which may be available and may be required for its operations hereunder, provided always that the water supply of the local inhabitants and nomad populations who may be dependent on the same is not endangered. The Company shall at its discretion but in consultation with the Shaikh select the position of any such works. The Company may likewise utilise without hindrance all means as may be necessary for the effective conduct of its operations hereunder.

18119/33 [No. 21].

No 233.

THE POLITICAL RESIDENT to THE SECRETARY OF STATE.

(Received 14th February, 1933.)

(Confidential.)
(No. C-13.)

Camp, Bahrein, 6th February, 1933.

REFERENCE your telegram No. 2 of 4th February.*

Both Shaikh and competing companies wish to make best bargain possible from their respective points of view, which of course involves financial negotiations, and it was therefore quite out of the question for the Shaikh to make a quick decision on the first proposals submitted to him by companies. Any attempt to hurry the Shaikh into an immediate decision, and thus short circuit the negotiations would have been objected to by the Shaikh himself and regarded by whichever company lost the concession as exercise of undue influence on our part, which is precisely the accusation which His Majesty's Government naturally wish to avoid.

2. I informed the Shaikh when at Kuwait that whichever company he gave the concession to would have to agree to certain safeguards to be imposed by His Majesty's Government. I am, however, as you will see from the attached enclosure, underlining this warning in more detail, which also covers the other points raised in your telegram.

T. C. FOWLE,
Political Resident in the Persian Gulf.

Copy, with copy of correspondence, to Government of India.

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* No. 227.

Enclosure in No. 233.

(Confidential.)
(No. C-14.)

Camp, Bahrein, 6th February, 1933.

I ENCLOSE herewith following correspondence:—

Colonial Office telegram No. 2 of 4/2/33* to Political Resident.
Political Resident's telegram No. T-13 of 6/2/33† to Colonial Office.
Political Resident's Express Letter No. C-13 of 6/2/33 to Colonial Office.

2. You will recollect that during my last visit to Kuwait we informed the Shaikh in the sense of paragraph 2 of my Express Letter to the Colonial Office. In order, however, to underline this warning please write to His Excellency and point out that should the Anglo-Persian Oil Company or the Eastern and General Syndicate approach him on points which are likely to lead to discussion on such questions as telegraphs, railways, exclusion of certain areas, &c., he should avoid discussing such details until he has decided to which of the two companies he is going to grant the concession. Should he feel doubtful as to whether any point put forward by either of the companies infringes on any of the "reserved subjects" he should ask your advice and you can communicate with me.

3. Please remind Shaikh to keep you generally informed of course of discussions with representatives of companies.

4. Reference paragraph 3 of the Colonial Office telegram. Without pressing the Shaikh please ascertain how the land lies and telegraph me repeating to Colonial Office.

T. C. FOWLE,
Political Resident in the Persian Gulf.

To Political Agent, Kuwait.

18119/33 [No. 22].

No. 234.

THE POLITICAL RESIDENT to THE SECRETARY OF STATE.

(Received 21st February, 1933.)

(Confidential.)
(No. 8/101-S.)

THE Honourable the Political Resident in the Persian Gulf presents his compliments to His Majesty's Secretary of State for the Colonies, London, and has the honour to transmit to him a copy of a letter from the Anglo-Persian Oil Company, Limited, Kuwait, on the subject of the Oil Concession.

British Residency and Consulate-General,
Bushire.
31st January, 1933.

Reference to previous correspondence: Bushire telegram No. T-10 of 14th January, 1933.‡

Copy sent to the Foreign Secretary to the Government of India, New Delhi.

Enclosure in No. 234.

Kuwait, 22nd January, 1933.

SIR,

WE beg to confirm our acknowledgment of receipt of your letter No. C-7 dated 14th instant, for which we thank you. Further, we beg to inform you that, consequent on your permission to commence negotiations with His Excellency the Shaikh of Kuwait, we asked for and were accorded an interview with His Excellency on 19th instant.

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* No. 227. † No. 228. ‡ No. 211.

At that interview we presented to His Excellency the revised draft (a copy of which is already in your possession) of our proposal for an Oil Concession in Kuwait. His Excellency informed us that he proposed to discuss the matter further with us after careful perusal of our revised draft.

We have, &c.
(for Anglo-Persian Oil Co., Ltd.)
A. H. T. CHISHOLM.

The Honourable the Political Resident in the Persian Gulf.
Bushire.

(Copy to the Political Agent, Kuwait.)

18126/33 [No. 50].

No. 235.

MR. C. F. A. WARNER (FOREIGN OFFICE)

to

MR. F. C. STARLING (PETROLEUM DEPARTMENT).

(Copy received in Colonial Office, 21st Febuary, 1933.)

(Confidential.)

DEAR STARLING, Foreign Office, S.W.1, 18th February, 1933.

ON receiving Laithwaite's letter of the 19th January* about the correspondence between Oliphant and Cadman on the subject of the proposed oil concession, I wrote to Rendel, who was then at Geneva in connexion with the Anglo-Persian Oil Company dispute with the Persians, the letter of which a copy is enclosed.

I send you herewith a copy of Rendel's reply recording an interesting conversation with Cadman, which throws a good deal of light on the subject. When we discussed orally the Admiralty official letter of the 27th January† on this subject, you told me that you would not write to us officially on the matter until you had had an opportunity of further talk with the Anglo-Persian Oil Company and until we knew the result of Rendel's conversation with Cadman at Geneva. We shall now hope therefore to get an official letter from you shortly, and perhaps you will include in it any observations your Department have to make upon Rendel's letter enclosed.

We have apparently never had a copy of the 1928 Agreement (which I think replaced the Agreement of 1914 referred to in paragraph 4 of Rendel's letter) regarding the spheres of interest of the 'Iraq Petroleum Company and the Anglo-Persian Oil Company, though we received from the Anglo-Persian Oil Company in March, 1928, a copy of a map prepared by them in connexion with the negotiations for the Agreement. We should be much interested if you could spare us a copy of the final Agreement and any information on the subject relevant to Rendel's letter of the 3rd February.

I am sending copies of this letter to Blaxter, Moore of the Admiralty and Laithwaite.

Yours, &c.,
C. F. A. WARNER.

Enclosure 1 in No. 235.

(Confidential.)

Foreign Office, S.W.1, 31st January, 1933.

I ENCLOSE a copy of a letter from Laithwaite, from which you will see that the India Office are a little alarmed by the possibility of a 50-50 agreement between the Anglo-Persian Oil Company and the Mellon group over Kuwait oil.

I attach copies of Oliphant's letter to Cadman on this subject and Cadman's reply. The latter was so short and vague that it supplies no material for a reply to Laithwaite's

* No. 223. † No. 218.

queries. If you see a suitable opportunity, will you try to get some further particulars from him? Oliphant wishes that, if you do address him at all, you should be absolutely frank and explanatory with him.

I enclose, too, a copy of a letter just received from the Admiralty on the same subject. There has not been time to consider it at all, but you had better see it before raising the subject with Cadman.

Yours, &c.,
C. F. A. WARNER.

G. W. Rendel, Esq., C.M.G.

Enclosure 2 in No. 235.

(Confidential.)

United Kingdom Delegation to the League of Nations,
Geneva, 3rd February, 1933.

MY DEAR CHRISTOPHER,

MANY thanks for your letter of 31st January about Kuwait oil.

I have had a talk with Cadman on the subject and frankly explained the position. He tells me that what he has been aiming at has been an arrangement with the Mellon group by which the Anglo-Persian Oil Company would obtain certain advantages in the United States of America, providing for the formation by the Anglo-Persian Oil Company of a subsidiary Company to work the Kuwait oil concession. The United States group would have a 50 per cent. shareholding in this company and would thereby obtain a 50 per cent. share of the profits; but the company would be a British one and the Anglo-Persian Oil Company would retain the entire management and be entrusted with the whole working of the concession.

The chief difficulty at present seems to lie in the question of development. The United States group appear to be afraid that the Anglo-Persian Oil Company, having virtually secured the concession on the above basis, might refrain from developing it, and merely hold it in reserve until the general conditions of the oil industry were more favourable for its development. The Anglo-Persian Oil Company may have some difficulty over this question, since, if they secure the Kuwait concession now and develop it at once, the Persian Government may revive the accusation that they are frittering away their energies elsewhere than in Persia. Cadman thinks, however, that there should be no insuperable difficulty in reaching some agreement on this point.

3. Cadman adds, for our most confidential information, that the Anglo-Persian Oil Company are determined to acquire the Kuwait oil concession under one form or another, since they cannot allow a rival group to operate so close, as it were, to their flank. I gather that the necessary instructions have been sent to the Anglo-Persian Oil Company local representative and that, pending an agreement with the Mellon group, there is likely to be some brisk bargaining—which is rather unfortunate in the circumstances as it will presumably only encourage the Shaikh to raise his terms.

4. As regards Bahrein and the Hasa coast, the difficulty seems to be that the Anglo-Persian Oil Company are excluded from both these areas by an early oil agreement of, apparently, March, 1914. There was some correspondence about this agreement in, I think, 1927 or 1928, which included a map showing the area from which the Anglo-Persian Oil Company are excluded. The Library will probably have no difficulty in tracing it. Cadman is, however, hoping, as he told Hall on 23rd December, to interest the Burmah Oil Company in the Bahrein concession, although that concession is no longer held by the Mellon group but by a company known as the Standard of California, which, though it has struck plenty of oil in Bahrein, appears to be faced with difficulties over its future marketing programme.

5. As regards the Hasa Coast, Cadman is hoping to secure any concession that may be going for the 'Iraq Petroleum Company, although he anticipates some difficulty, should the 'Iraq Petroleum Company secure it, from the consequent introduction of a French element in the development of oil in Arabia. He is considering the possibility of interesting Philby in this project by giving Philby's company—though I am not quite sure what company he has in mind—some interest in the matter. He realises that any overtures to Ibn Saud in connexion with the Hasa concession must be made through Jeddah, and is inclined to share a view which I tentatively expressed that the present financial straits of the Saudi Government may possibly prove a favourable factor in the situation.

6. From this you will see that most of the fears expressed in Gilbert Laithwaite's letter of 19th January and in the Admiralty letter of 27th January are, at present at any

rate, unnecessary. The chief point seems to be that the Anglo-Persian Oil Company are prepared to strain every nerve to prevent the Kuwait concession from falling under effective American control. They would like us to help them over this, but I have explained to Cadman why we cannot do so. Meanwhile strong efforts are likely to be made to ensure that both the Bahrein, and any eventual Hasa coast, concessions eventually go to companies that at any rate have a strong British element.

7. To be on the safe side I have shown the draft of this letter to Cadman, who has concurred in it.

Yours, &c.,
GEORGE RENDEL.

C. F. A. Warner, Esq.

18119/33 [No. 34].

No. 236.

THE POLITICAL RESIDENT to THE SECRETARY OF STATE.

(Received 27th February, 1933.)

[*Answered by No.* 241.]

(Confidential.)
(No. 10.)

British Residency and Consulate-General, Bushire,
2nd February, 1933.

SIR,

WITH reference to correspondence ending with this office printed letter No. 8, dated the 31st January, 1933,* I have the honour to state that if His Excellency the Shaikh of Kuwait decides in favour of the Eastern and General Syndicate I fear that his decision will largely have been influenced by his feeling that His Majesty's Government have not sufficiently implemented their undertakings to him in respect of his date gardens in 'Iraq and the trade blockade of Kuwait by the Saudi Government.

I am sending a copy of this letter to the Government of India.

I have, &c.,
T. C. FOWLE,
Lieutenant-Colonel,
Political Resident in the Persian Gulf.

18119/33 [No. 40].

No. 237.

MR. A. C. C. PARKINSON (COLONIAL OFFICE)

to

LIEUTENANT-COLONEL T. C. FOWLE (POLITICAL RESIDENT).

(Confidential.)

MY DEAR FOWLE, Downing Street, 2nd March, 1933.

Kuwait Oil Concession.

I WRITE to let you know that Sir John Cadman called recently to see Sir Samuel Wilson on this matter. Sir J. Cadman wanted to know whether any influence could be brought to bear on the Shaikh to give the concession to the Anglo-Persian, as the Anglo-Persian had come to an agreement with the Gulf Company that if the Anglo-Persian obtained the concession they would work it, and the Gulf Company would have a 50 per cent. share holding. Sir J. Cadman also inquired whether a decision on the matter could be held up until he got back from Persia.

Sir S. Wilson has replied to Sir J. Cadman that His Majesty's Government are committed to a policy of not influencing the Shaikh, and that it would not be possible to go back on that. As regards holding matters up until Sir J. Cadman's return from

* No. 234.

Persia, Sir S. Wilson has told him that there is very little that can be done, as the matter is more or less out of our hands, but he pointed out that the Shaikh seemed in no hurry to come to a decision.

Yours, &c.,
A. C. C. PARKINSON.

P.S.—8th March. I held this up, as there has been more discussion here: it may be that we shall be telegraphing to you soon in amplification of what Sir S. Wilson said to Sir J. Cadman.

18119/33 [Nos. 41-44].

No. 238.

COLONIAL OFFICE

to

[1] MR. C. F. A. WARNER (Foreign Office).
[2] MR. J. G. LAITHWAITE (India Office).
[3] CAPTAIN H. R. MOORE (Admiralty).
[4] MR. F. C. STARLING (Petroleum Department).

(Confidential.) Downing Street, 2nd March, 1933.

MY DEAR [*To* [1]: WARNER,] [*To* [2]: LAITHWAITE,] [*To* [3]: MOORE,] [*To* [4]: STARLING,]

Kuwait Oil Concession.

I WRITE to let you know that Sir John Cadman called recently to see Sir Samuel Wilson on this matter. Sir J. Cadman wanted to know whether any influence could be brought to bear on the Shaikh to give the concession to the Anglo-Persian, as the Anglo-Persian had come to an agreement with the Gulf Company that if the Anglo-Persian obtained the concession they would work it, and the Gulf Company would have a 50 per cent. share holding. Sir J. Cadman also inquired whether a decision on the matter could be held up until he got back from Persia.

Sir S. Wilson has replied to Sir J. Cadman that His Majesty's Government are committed to a policy of not influencing the Shaikh, and that it would not be possible to go back on that. As regards holding matters up until Sir J. Cadman's return from Persia, Sir S. Wilson has told him that there is very little that can be done, as the matter is more or less out of our hands, but he pointed out that the Shaikh seemed in no hurry to come to a decision.

I am sending similar letters to [*To* [1]: Laithwaite, Moore and Starling] [*To* [2]: Warner, Moore and Starling] [*To* [3]: Warner, Laithwaite and Starling] [*To* [4]: Warner, Laithwaite and Moore], and Parkinson is writing in similar terms to Fowle.

Yours, &c.,
K. W. BLAXTER.

18119/33 [No. 54].

No. 239.

THE POLITICAL RESIDENT to THE SECRETARY OF STATE

(Received 13th March, 1933.)

(Secret.)
(No. 15/149-S.)

THE Honourable the Political Resident in the Persian Gulf presents his compliments to His Majesty's Secretary of State for the Colonies, London, and has the honour to transmit to him a copy of a letter from the Political Agent, Kuwait, on the subject of the Oil Concession.

British Residency and Consulate-General,
Bushire.
16th February, 1933.

Copy sent to the Foreign Secretary to the Government of India, New Delhi.

Enclosure in No. 239.

(Secret.)
(No. 26.)

SIR, Kuwait, 2nd February, 1933.

I HAVE the honour to report the following interesting conversation which took place between Shaikh Abdullah as-Salim and myself on the 30th January, 1933.

2. Shaikh Abdullah is, as you know, the son of the late Ruler of Kuwait and is first cousin of His Excellency Shaikh Ahmad, the present Ruler.

3. He stands out from among other members of the Shaikhly family, in common sense and general ability, and together with the present Ruler, may be said to be the only man who reads newspapers, and takes an interest in world affairs.

4. Shaikh Abdullah had been absent in camp during " ID " holidays, which fell on 27th and 28th January this year, and only returned to Kuwait on the evening of the 29th. According to custom, therefore, I called on the 30th to congratulate him on the " ID " festival, and on the conclusion of the fast of Ramathan.

5. After the usual greetings and subsequent politenesses, Shaikh Abdullah said that he wished to discuss with me and in strict confidence the question of the " Oil Concession." He had a right he said to be heard, as he was the senior member of the Al Subah family after the Ruler, and any oil concession that was given was not going to benefit the present Ruler alone, but would affect the whole of the Al Subah family, numbering some 200 souls.

6. Shaikh Abdullah then commenced by complaining that the Shaikh was conducting the present oil negotiations far too much in secret, and that he had so far consulted no one in the State, let alone any members of the family. He followed this complaint up by certain observations, which for convenience sake I have enumerated below in the form of sub-paragraphs :—

(*a*) He accused His Majesty's Government of doing a very wrong and immoral thing in allowing the Shaikh the free hand that he had been given in the matter. His Majesty's Government seemed not to have realised that Shaikh Ahmad was little better than an ordinary Bedouin in mentality, and to throw the whole responsibility on him for deciding between the merits of the Anglo-Persian Oil Company and the Eastern and General Syndicate's concession was unfair.

(*b*) It was not possible for the Shaikh to come to a right and proper decision, when he was expected to pit his poor brains against Western experts, and especially against the brains of " a super cunning schemer " (his words), like Major Holmes.

(*c*) His Majesty's Government were evading their proper responsibilities, as the Protecting Power, when they confined their advice to petty points connected with financial benefits, and maintained a mysterious silence as to the policy it were best for the Shaikh to follow, in the interest of his people, and that of future relations with the Protecting Power.

(*d*) Shaikh Ahmad was little more than a child in this matter, and His Majesty's Government should most certainly have advised him clearly and definitely that it was to his interest, and that of his successor and descendents, to accept the Anglo-Persian Oil Company's draft concession and " turn down " that of the Eastern and General Syndicate's. " If a child was going to fall down a well " (to use the Shaikh's words) it was the nurse's business to seize and stop it, it was not sufficient for the nurse to call to the child and say it must itself decide whether falling down the well was to its advantage or otherwise.

(*e*) In the present instance His Majesty's Government, even if indifferent to the fate of the Ruler, should consider the other members of the family as well as the people of Kuwait.

(*f*) It was indifference of this kind that in the past had so often led to trouble and bloodshed in Arab States.

7. Shaikh Abdullah then gave it as his opinion that Shaikh Ahmad was definitely moving towards giving the oil concession to Major Holmes. His reason for saying this was that Shaikh Ahmad had not received fair treatment nor been supported by His Majesty's Government, in the matter of the Date Gardens and the Blockade, and to-day believed (or was taught to believe by Major Holmes), that if a strong American concern got into Kuwait, it (the concern) would see to it, through its own Government, that sufficient pressure was brought to bear on Great Britain as would insure better treatment

for himself the Shaikh, and a stronger line being taken where 'Iraq and Bin Saud were concerned. In other words, that he would have some one to play off against His Majesty's Government. (In this connexion see my D.O. No. 218, dated 28th December, 1932.)

8. When I asked Shaikh Abdullah to whom he himself thought the " Oil Concession " should be given, he replied, " To the Anglo-Persian Company of course." On my inquiring " Why?" he said, " Because Great Britain is our friend, and has always been so, and the Anglo-Persian Oil Company is part of Great Britain—Kuwait stands to benefit by strengthening her ties with His Majesty's Government, and conversely, has everything to lose by putting herself into the hands of foreigners."

When I asked, how was it that the Ruler did not think like him? he answered, " Because he is a man who does not look far ahead, and honestly believes to-day that it will be to his advantage if he can get a strong ally in the shape of an American Company who will be backed by its Government."

9. Shaikh Abdullah, as I rose to go, confided in me that as soon as he saw definite signs that the Shaikh was going to yield to Major Holmes' blandishments, he intended interviewing him and giving him a piece of his mind in the hopes of possibly shaming him into changing his policy even at the last moment.

At present he said it was quite useless to talk to or advise his cousin, as the latter would only retort that he had been got at by the Anglo-Persian Oil Company.

10. I consider the above sentiments of Shaikh Abdullah worth reporting to you, as they show that a considerable party in Kuwait disapproves of the Shaikh's " close " methods, and will certainly have something to say if he decides to favour Major Holmes' concern. At the same time one cannot in any way count on Shaikh Abdullah or his powerful following being able to turn Shaikh Ahmad from a decision once formed. The latter is too strongly entrenched in power for that to happen.

11. In the meantime Shaikh Ahmad has given me no indication as to the way he is going to jump. I, according to orders, am maintaining my " Owl "-like silence, which does not seem to be helping on matters much.

I have, &c.,
H. R. P. DICKSON,
Lieutenant-Colonel,
Political Agent, Kuwait.

The Honourable the Political Resident
in the Persian Gulf,
Bushire

18119/33 [No. 55].

No. 240.

THE POLITICAL RESIDENT to THE SECRETARY OF STATE.

(Received 13th March, 1933.)

(Confidential.)
(No. 16/176-S.)

THE Honourable the Political Resident in the Persian Gulf presents his compliments to His Majesty's Secretary of State for the Colonies, London, and has the honour to transmit to him a copy of correspondence on the subject of the Oil Concession.

British Residency and Consulate-General,
Bushire.
21st February, 1933.

Reference to previous correspondence : Kuwait telegram No. 33 of 11th February, 1933,* Bushire printed letter No. 137-S of 14th February, 1933.

Copy sent to the Foreign Secretary to the Government of India, New Delhi

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* No. 231.

Enclosure 1 in No. 240.

THE POLITICAL RESIDENT TO THE SHAIKH OF KUWAIT.

(No. C-6.)

AFTER COMPLIMENTS, Camp, Kuwait, 14th January, 1933.

WITH reference to the comments of His Majesty's Government, on the proposals from the Anglo-Persian Oil Company, Limited, and the Eastern and General Syndicate, Limited, which Colonel Dickson gave Your Excellency under his letter No. 2 dated the 8th January, 1933, I have the honour to advise you that I have informed Mr. Chisholm, the local representative of the Anglo-Persian Oil Company, Limited, that this has been done, and that he can now proceed with direct negotiations with Your Excellency in the matter.

As Major Holmes, the representative of the Eastern and General Syndicate, Limited, is absent in London, I have telegraphed to His Majesty's Government suggesting that the Eastern and General Syndicate, Limited, there should be informed in the above sense.

Usual ending.

T. C. FOWLE,
Lieutenant-Colonel.

Enclosure 2 in No. 240.

THE POLITICAL AGENT, KUWAIT, TO THE SHAIKH OF KUWAIT.

(Translation.)
(Confidential.)
(No. 34.)

AFTER COMPLIMENTS, Kuwait, 12th February, 1933.

WITH reference to the conversation which I had with your Excellency on Friday, the 10th February last.

I have the honour to inform your Excellency that I have received an express letter, No. C. 14, dated 6th February, 1933, from the Honourable the Political Resident in the Persian Gulf, Bushire, in which he directs me to remind you of the conversation which he had with your Excellency on his recent visit to Kuwait, and asks me to point out that should the representatives of the Anglo-Persian Oil Company, Limited, or the Eastern and General Syndicate, Limited, approach you on points which are likely to lead to discussion, on such difficult questions as telegraphs, railways, exclusion of certain areas, &c., Your Excellency should be careful to avoid discussing such details until Your Excellency has finally decided to which of the two companies Your Excellency proposes to grant the Oil Concession.

Should Your Excellency feel in any way doubtful as to whether any point put forward by either of the Companies infringes on any of such "reserved subjects," Your Excellency should ask my advice, and I will refer the matter to the Honourable the Political Resident for his ruling.

Lastly, I am desired by the Honourable the Political Resident to remind your Excellency to keep me, your friend, generally informed of the progress of Your Excellency's discussions with the representatives of the two Oil Companies.

Usual ending.

H. R. P. DICKSON,
Lieutenant-Colonel.

Enclosure 3 in No. 240.

THE SHAIKH OF KUWAIT TO THE POLITICAL AGENT.

(Translation.)
(Confidential.)
(No. 2/823-R.)

AFTER COMPLIMENTS, Kuwait, 14th February, 1933.

WITH the hand of pleasure I have received your Confidential letter No. 34 dated 12th February, conveying what the Honourable the Political Resident in the Persian Gulf had written in his express letter No. C/14 dated 6th February, 1933, in continuation of the conversation which His Excellency had with me on his recent visit to

Kuwait on the subject of the discussion with the representatives of the Anglo-Persian Oil Company, Limited, and the Eastern General Syndicate, Limited. To the end, I have noted your statement and understood it.

Please be so good as to inform the Honourable the Political Resident in the Persian Gulf that we shall be very careful to avoid the difficult questions you mentioned or whatever may require the least precaution, and are likely to have an unfair effect on our interests and the future of our country.

But as His Majesty's Government has left the question of the concession to our judgment, as the Honourable the Political Resident in the Persian Gulf informed me in his Confidential letter No. 6 dated 14th January, 1933, we are depending on this, and will also take into consideration the comments of His Majesty's Government on the various articles of the concession, as conveyed to us in your Confidential letter No. 2 dated 8th January, 1933.

We feel confident that His Majesty's Government has no other intention than the prosperity and welfare of ourselves and our country

Further, Your Excellency may be quite assured that I rely on you, my friend, more than on myself, and of course, should I have any doubts, which must of necessity arise in such affairs, I would consider it most essential that Your Excellency be approached before they be definitely settled.

Usual ending.

18119/33 [No. 57].

No. 241.

THE SECRETARY OF STATE to THE ACTING RESIDENT.

(Sent 5.10 p.m., 14th March, 1933.)

TELEGRAM.

(Private and Personal.)

YOUR despatch dated 2nd February, No. 10.* Kuwait Oil. Anglo-Persian Oil Company have also strongly urged desirability in their interests of meeting Shaikh immediately over date gardens and blockade. While however we are doing our utmost in the interests of the Shaikh to expedite decision on both I fear that it would be optimistic to hope for settlement in near future. Moreover, anxious as we are that Company should secure this concession if this can be done without violating our pledges to the Americans, I feel that it is most important to deal with it on a commercial basis and that their best hope of securing it lies in making an offer to the Shaikh definitely more attractive than that put up by the Syndicate, in which event I hope he would not be so short-sighted as to allow either of the above questions to influence his decision. Company are accordingly being informed that removal of political obstacles cannot be looked for in near future but that in any case question is in our view one to be dealt with essentially on a commercial basis and that it is for them to consider what steps they should take to counter activities or offers of their competitors.

2. As regards time factor, position is now rather altered. We were originally anxious to secure earliest possible decision. But a new factor has since been introduced by cancellation by Persian Government of Anglo-Persian Oil Company concession and connected developments. This must inevitably handicap Company in their negotiations, while Shaikh on his side may well wish to see outcome of renewed discussions between Company and Persia before finally committing himself to Anglo-Persian Oil Company; in any case it appears from your reports that Shaikh is anxious to be allowed to take decision in his own time. So far as we are concerned, therefore, there is for the present no objection to Shaikh postponing final decision for some time longer and continuing process of bargaining with both parties.

3. We attach great importance to being kept in closest possible touch with activities both of Company and Syndicate and we should be glad if you could arrange for fortnightly report giving full details as to any developments from Dickson.—
CUNLIFFE-LISTER

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* No. 236.

18119/33 [No. 58].

No. 242.

SIR SAMUEL WILSON (COLONIAL OFFICE)

to

MR. A. C. HEARN (ANGLO-PERSIAN OIL COMPANY, LIMITED).

[*Answered by No.* 244.]

(Personal and Confidential.)

DEAR MR. HEARN, Downing Street, S.W.1, 15th March, 1933.

As you are no doubt aware, I recently had some discussion and correspondence with Cadman about the Kuwait Oil Concession.

In the course of the discussion Cadman referred to certain political difficulties between the Shaikh and His Majesty's Government and inquired whether there was any prospect of the early removal of these difficulties. Unfortunately there is no such prospect, though we are of course concerned to dispose of them as rapidly as may be; and since we are committed to a policy of not influencing the Shaikh, the question is one essentially to be dealt with on a commercial basis. My object in writing to you now is to say that so far as we can judge, the Shaikh is not likely to be much moved by the difficulties in question if the Anglo-Persian Oil Company put up an offer which, viewed commercially, is definitely very much better than that put up by the Eastern and General Syndicate, and in these circumstances it seems to us to be for the Company to consider what steps should be taken to counter the activities or offers of their competitors in Kuwait.

Yours, &c.,
S. H. WILSON.

18119/33 [No. 63].

No. 243.

MR. A. C. C. PARKINSON (COLONIAL OFFICE)

to

LIEUTENANT-COLONEL T. C. FOWLE (POLITICAL RESIDENT).

(Confidential.)

MY DEAR FOWLE, Downing Street, 16th March, 1933.

IN continuation of my Confidential letter of the 2nd March* about the Kuwait Oil Concessions, I enclose a copy of a letter sent by Sir Samuel Wilson on the 15th March† to Mr. Hearn of the Anglo-Persian Oil Company.

This is the letter referred to towards the end of paragraph 1 of the Secretary of State's private and personal telegram sent to you on the 14th March.‡

Yours, &c.,
A. C. C. PARKINSON.

18119/33 [No. 72].

No. 244.

MR. A. C. HEARN (ANGLO-PERSIAN OIL COMPANY, LIMITED,)

to

SIR SAMUEL WILSON (COLONIAL OFFICE).

Britannic House, Finsbury Circus,

DEAR SIR SAMUEL WILSON. London, E.C.2, 17th March, 1933.

I HAVE to thank you for your letter of the 15th March† on the subject of the Kuwait Oil Concession. I am writing to-day to Sir John Cadman on this and other subjects, and my letter should arrive at Abadan on the 23rd of this month, which is the probable date of his own arrival there from Bombay.

* No. 237. † No. 242. ‡ No. 241.

I know it is his intention to consider the whole Kuwait position in the light of the very latest information—both local and external—immediately he arrives in Abadan; your letter on the subject will therefore reach him in good time for the information you give to be of immediate use to him.

Yours, &c.,
A. C. HEARN.

18119/33 [No. 78].

No. 245.

THE POLITICAL RESIDENT to THE SECRETARY OF STATE.

(Received 3.55 p.m., 28th March, 1933.)

TELEGRAM.

(Paraphrase.)

28TH MARCH. Addressed to Secretary of State for the Colonies No. 5. The following message received from Political Agent, Kuwait, 27th March:—

Begins:—On Saturday 25th March Sir J. Cadman accompanied by General Manger, Anglo-Persian Oil Company, Abadan, and staff visited Kuwait by air and had long conference with the Shaikh. I learned from subsequent conversation with Cadman that all cards were put on the table and that the Shaikh was offered quite exceptionally generous financial terms to induce him to grant concession to Anglo-Persian Oil Company immediately. The Shaikh responded by saying that he must consult Holmes. I was assured by Cadman that he would return to the charge as soon as the situation in Tehran permitted. Cadman returned same evening to Abadan.—*Ends*.

Copy by mail to Delhi.

18126/33 [No. 51].

No. 246.

THE POLITICAL RESIDENT to THE SECRETARY OF STATE.

(Received 1.52 p.m., 29th March, 1933.)

TELEGRAM.

(Paraphrase.)

29TH MARCH. Addressed to Colonial Office No. 6. Kuwait oil. Political Agent has been informed by Shaikh that at request of the Shaikh, Holmes had prepared two fresh draft concessions in replacement of Syndicate present draft(s), one to cover area 1,200 square miles to be reserved for British interests the other to cover 400 square miles to be reserved for American interests. Under both drafts payments are same initial payment in each case being rupees 45,000. Report posted 28th March. Copy by mail Government of India.

18119/33 [No. 73].

No. 247.

MR. K. W. BLAXTER (COLONIAL OFFICE)

to

LIEUTENANT-COLONEL T. C. FOWLE (POLITICAL RESIDENT).

DEAR COLONEL FOWLE, Downing Street, 29th March, 1933.

IN Parkinson's absence on leave, I am sending you a copy of a letter* from Mr. Hearn of the Anglo-Persian Oil Company, relative to the Kuwait Oil Concession.

A copy of Sir Samuel Wilson's letter of the 15th of March† was sent to you in Parkinson's letter of the 16th of March.‡

Yours, &c.,
K. W. BLAXTER.

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* No. 244. † No. 242. ‡ No. 243.

18119/33 [No. 83A].

No. 248.

THE POLITICAL RESIDENT to THE SECRETARY OF STATE

(Received 10th April, 1933.)

(Confidential.)
(No. 19/220-S.)

THE Honourable the Political Resident in the Persian Gulf presents his compliments to His Majesty's Secretary of State for the Colonies, London, and has the honour to transmit a copy of a letter from the Political Agent, Kuwait, on the subject of the Oil Concession.

British Residency and Consulate-General,
Bushire
16th March, 1933.

Copies sent to the Foreign Secretary to the Government of India, New Delhi, and His Majesty's Minister, Jeddah.

Enclosure in No. 248.

(Secret.)
(No. 44.)

SIR, Political Agency, Kuwait, 5th March, 1933.

Letters from His Majesty King Abdul Aziz al Saud to His Excellency the Shaikh of Kuwait.

I HAVE the honour to enclose for your information translation of a letter, No 863, dated the 14th Shawwal, 1351 (9.2.33) together with two Mulhaqs, which His Excellency the Shaikh of Kuwait received from His Majesty the King of Sa'udiyah on 19th February, 1933.

2. The letter was brought by the King's most confidential emissary, one Abdul Aziz al Riba'ai, a man never employed unless there is work of a special nature afoot.

3. Al Ribai left Kuwait again for Riath on 26th February, and during his stay did not come near the Agency, although I know him well.

4. After receipt of the King's letter His Excellency the Shaikh made two long and mysterious car journeys far to the south, and although I have nothing definite to go on at present, I rather suspect they were made as a result of a secret and verbal message which Al Ribai delivered to the Shaikh.

5. The *first journey* was made on the early morning of 20th February. The Shaikh only returning late at night on the 23rd of February. The *second journey* was made in a violent dust storm on 25th February, the Shaikh returning on the 27th February again late at night.

6. The Shaikh admitted to me on 2nd March that he reached Khabari Wadha (120 miles) on the first journey, returning by the same route; and on his second trip got as far as a point slightly south-east of Safa (150 miles) and said that he could see the Summan escarpment in front of him. His Excellency was insistent that he had only gone to hunt gazelle and hubara, taking advantage of the lovely spring weather which we are having now.

7. The Shaikh took with him on each occasion the following persons:—

Shaikh Abdulla al Salim (first cousin);
Shaikh Salman al Hamud (second cousin);
Shaikh Ali al Kalifa (second cousin);
His son Mohamed;
Yusuf al Salim, brother of Abdul Aziz al Salim, his Basrah Agent;
Major Holmes' Confidential Agent, Mohamed Yatim.

8. Incidentally, the Shaikh never takes members of his family with him when out hunting, and conversely, only does so if engaged on an important mission, as for instance, when he went to Riath in April, 1932.

9. Another curious feature about these two journeys was the fact that on 20th February the Shaikh was to have dined with Mr. Chisholm of the Anglo-Persian Oil Company and Shaikh Abdullah as-Salim with me. Both dinner parties were "cut" without any apology or note giving reasons—an unheard-of thing where these two very punctilious Shaikhs are concerned.

10. I, myself, toured the southern frontier from 24th to 27th—the period of the Shaikh's second "dash" into the desert, and I gathered from Ibn Jama, the paramount Shaikh of the Awazim, whom I met, that Ibn Jaloui and His Majesty King Abdul Aziz had arranged to meet in the Summan area (Mutair Country to the immediate south of Safa) somewhere about the end of February and that he (Ibn Jama) had got this from Ibn Jaloui himself on the 14th February in Hoffuf.

11. In view of the above facts, I have a shrewd suspicion—though I say this most guardedly—that the Shaikh went to meet the King by pre-arranged agreement; that he failed on his first journey, came back for more petrol and did actually meet him on the 25th or 26th February.

12. If the above meeting did actually take place one may, I think, justifiably conclude that two things were discussed:—

(*a*) Bin Saud's desperate need for money;
(*b*) Oil question.

Under (*a*) it is not entirely beyond the bounds of possibility that he asked for a loan and in return offered some relief from the "Blockade."

If (*b*) was discussed—also with the intention of getting money—the presence of Mohamed Yatim, Major Holmes's emissary with the Shaikh's party is significant.

13. All car-drivers, personnel, &c., who accompanied the Shaikh's party seem averse to talking, and appear to be bound to secrecy, but the truth will doubtless come out before long.

14. I report the above rather interesting facts for your information, as they possibly presage some interesting move in the near future on the part of the Shaikh or the King.

15. On the other hand I may be all wrong in my surmises and repeat that what I have said must be taken with great caution.

I have, &c.,
H. R. P. DICKSON,
Lieutenant-Colonel,
Political Agent, Kuwait

After Note.

Nothing further has *come out* (8.3.33) to show that the Shaikh met the King in the Summan area. On the other hand the Shaikh may have met the King's brother-in-law, Saud al Arafa, who is said to have returned from Mecca and gone hunting in the vicinity of the Turabi. The King was last reported at Hafar al Atz.

To the Honourable the Political Resident in the Persian Gulf,
Bushire.

TRANSLATION OF A LETTER, No. 863, DATED 14TH SHAUWAL, 1351 (9.2.33), FROM HIS MAJESTY KING ABDUL AZIZ BIN ABDUR RAHMAN AL FAISAL, TO HIS EXCELLENCY SHAIKH SIR AHMAD AL JABIR AS-SABAH, K.C.I.E., C.S.I., RULER OF KUWAIT.

AFTER COMPLIMENTS,

YOUR letters have, lately, been coming to us after such long intervals that we have thought fit to send our servant Al Rubai with this our letter, so as to keep this accustomed practice uninterrupted, and to inform you that you are always in our mind, as well as, to inquire about your precious health.

Please do not fail to write regularly to us, giving us news of your good self and letting us know if anything be required by you.

We, ourselves, are by the grace of God, in the best of health and happiness, and the news of our side is that matters are going on smoothly in all directions.

Usual ending.

TRANSLATION OF MULHAQ No. 1 TO LETTER No. 863, DATED 14TH SHAUWAL, 1351 (9.2.33) FROM HIS MAJESTY KING ABDUL AZIZ BIN ABDUR RAHMAN AL FAISAL, TO HIS EXCELLENCY SHAIKH SIR ADMAD AL JABIR AS-SABAH, K.C.I.E., C.S.I., RULER OF KUWAIT.

Brother! May God save you.

As regards the promise which I made to you last year I, your brother, favoured the idea greatly and was getting myself ready, when this Yaman business intruded,

which, of course, you are aware of. In consequence it became necessary to teach the country and its population.

Furthermore, the treaty which was formerly concluded between us and Yahya regarding frontier matters is about to come to an end and negotiations (fresh) are engaging our minds constantly. We also had careful calculations made of the distance between Kuwait and Riath in order to find out if the travelling motor wireless set which we have got could maintain communication with the capital, but without success.

With these points in view, and as the benefit affects both of us and our keeping constant communication is most essential, I write this letter asking to be excused from proposed visit* which I shall propose again either this summer or next year.

It would give us great pleasure if we could get the pleasing news that you were proceeding for pilgrimage this year. Other things which we have in mind have been confided to your (our) servant Al Rubai, who will disclose them to you.

TRANSLATION OF MULHAQ NO. 2 TO LETTER NO. 863, DATED 14TH SHAUWAL, 1351 (9.2.33), FROM HIS MAJESTY KING ABDUL AZIZ BIN ABDUR RAHMAN AL FAISAL, TO HIS EXCELLENCY SHAIKH SIR AHMAD AL JABIR AS-SABAH, K.C.I.E., C.S.I., RULER OF KUWAIT.

Brother! May God save you.

We are pleased to send Al Rubai to make inquiries about your health and to convey to you the good news that God has graciously conferred upon the Muslims by the putting down of this seditious rebellion.

The Idrisi and all those who were with him, and the whole country and population under the Idrisi was overrun by the Muslims, to whom the whole population surrendered. The people are now tranquil and quiet. Thanks be to God for same. Only the Idrisi with a few persons escaped to Yahya's territory. But correspondence between us and the latter is not going on, as the treaty concluded between us and him provides that criminals should be handed over.

In fact, Yahya, may God well reward him, did what he ought to do; he remained neutral in this rebellion, and has now usked us for an amnesty for all refugees, including the Idrisi. This question is not an easy one to decide in view of what happened to our army under Ibn Luwai and others with him.†

As to Ibn Musa'ad and his relieving armies: these were dispatched as a precautionary measure. They duly reached (Asir) where they found the remnants of those who had stirred up the rebellion hiding themselves in the mountains. Some of these were killed and some captured.

The country is now being administered by Ibn Musa'ad and the committee which accompanied him. They also are negotiating the conclusion of the frontier treaty with Yahya and are reconciling certain tribes of Najran at feud with each other.

Thanks to God, all matters turned out as we wished them to do. As both of us are concerned and will rejoice at this, we decided to send you the good news.

18119/33 [No. 83].

No. 249.

LIEUTENANT-COLONEL T. C. FOWLE (POLITICAL RESIDENT)

to

MR. A. C. C. PARKINSON (COLONIAL OFFICE).

(Received 10th April, 1933.)

(Confidential.)
(D.O. No. 230-S.)

MY DEAR PARKINSON, The Residency, Bushire, 17th March, 1933.

PLEASE refer to paragraph 3 of the Secretary of State's Private and Personal telegram to me of 14th March‡ on the subject of Kuwait oil.

2. I have been reporting developments as they occurred, my last communication being my printed letter No. 16 (176-S to the Government of India), dated 21st February,

* To visit Kuwait in the winter or spring of 1932/33.

† This refers to the defeat and death of Khalid Ibn Luwai, and his son Saad.

‡ No. 241.

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1933.* I am, however, asking Dickson to send me fortnightly reports, which I shall pass on to you. Anything of importance will, of course, be reported separately with the least delay.

3. In this connexion I would invite attention to my printed letter No. 19 (220-S to the Government of India), dated the 16th March,† in the enclosure to which Dickson reports two journeys of the Shaikh of Kuwait across his southern boundary, ostensibly for hunting, in company, amongst others, of Holmes' "jackal," Mohammed Yatim. The latter's presence suggests that the journeys may have been connected with the question of oil concessions in the Kuwait-Nejd Neutral Zone and in Hasa.

4. Under my printed letter No. 54 (982-S to the Government of India), dated 30th December, 1932,‡ I reported that Holmes had delivered to the Shaikh a message from the Eastern and General Syndicate inviting him to London as their guest during the coming summer. This was confirmed by a letter from Janson. The Shaikh has written to Dickson asking him what His Majesty's Government's wishes in the matter are, as he would not accept the invitation without obtaining their consent and approval, the fact being of course that he wishes His Majesty's Government to bear the onus of a refusal. I have told Dickson to explain to the Shaikh *verbally* that if he visits England as the guest of the Syndicate there may be difficulties about treating his visit as official, which I hope will ride him off.

5. Janson and Lombardi, the latter reported to be a Director of the Standard Oil Company, passed through Kuwait by air on 2nd March and, after spending some time at Bahrein, returned with Holmes on the 14th March to Kuwait, where they are the guests of the Shaikh for some time. I met both these individuals while calling at Bahrein a few days ago on my way back from Muscat. They did not talk any business with me.

I am sending a copy of the telegram referred to and of this letter to Metcalfe demi-officially.

Yours, &c.,
T. C. FOWLE.

18119/33 [No. 88].

No. 250.

INDIA OFFICE to COLONIAL OFFICE.

India Office, 18th April, 1933.

SIR,

I AM directed by the Secretary of State for India to transmit to you, for the information of the Under-Secretary of State, Colonial Office, a copy of a telegram from the Government of India, on the subject of the proposed visit of the Shaikh of Kuwait to England.

I am, &c.,
S. F. STEWART.

Reference to previous correspondence: Letter to India Office of the 25th February, 1933.§

Copies sent to Foreign Office, Admiralty, and Petroleum Department.

Enclosure in No. 250.

GOVERNMENT OF INDIA, FOREIGN AND POLITICAL DEPARTMENT, TO THE SECRETARY OF STATE FOR INDIA.

(Received 3.30 p.m., 12th April, 1933.)

TELEGRAM.

12TH APRIL. (948.) Addressed to Secretary of State for India repeated to Political Resident in the Persian Gulf. Bushire letter 31st March, 313 S. of 1933. Shaikh of Kuwait's visit to England.

2. We concur in terms of draft letter which Resident proposes addressing Shaikh and recommend that Resident be authorised to send it.

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* No. 240. † No. 248. ‡ No. 216. § 18119/33 [No. 27]: not printed.

18126/33 [No. 56].

No. 251.

THE POLITICAL RESIDENT to THE SECRETARY OF STATE.

(Received 18th April, 1933.)

(Confidential.)
(No. 24/284-S.)

THE Honourable the Political Resident in the Persian Gulf presents his compliments to His Majesty's Secretary of State for the Colonies, London, and has the honour to transmit to him a copy of a letter No. 58 of 22nd March, 1933, from the Political Agent, Kuwait, with enclosures, on the subject of the oil activities of Major Holmes.

British Residency and Consulate-General,
Bushire.
27th March, 1933.

Reference to previous correspondence: Bushire Printed letter No. 16/176-S of 21st February, 1933.*

Copy sent to the Foreign Secretary to the Government of India, New Delhi.

Enclosure in No. 251.

(Secret.)
(No. 58.)

SIR, Political Agency, Kuwait, 22nd March, 1933.

Oil Activities of Major Holmes.

I HAVE the honour to report that on the 12th instant and in the absence of Major Holmes at Bahrein, His Excellency the Shaikh mentioned casually to me at a dinner party in my house that Major Holmes had prepared or was preparing two new draft Oil Agreements to replace the one already submitted by him last year and which was commented on by His Majesty's Government. Owing to the presence of other guests I could not pursue the subject at the time.

2. On the 14th March Mr. Janson accompanied by Major and Mrs. Holmes returned from Bahrein and were taken to Dasman Palace where they stayed as guests of the Shaikh.

3. On the 14th March I called on His Excellency, and on the completion of certain business which I had to transact I reminded him of his conversation at my dinner party, and asked if he could give me any details of the two new draft agreements which Major Holmes was supposed to have prepared.

4. The Shaikh apologized for not having mentioned the matter before, and said that the facts were as follows:—That he had, prior to Major Holmes's departure for Bahrein, on 9th March (with Mr. Janson) asked him to put up two new draft concessions (twin) in place of the old single one that he had put forward:—

(*a*) One to comprise 1,200 square miles which was to be reserved for British interests;

(*b*) One to comprise 400 square miles to be reserved for American interests.

That Major Holmes had demurred for two days, and then agreed to try and carry out his (the Shaikh's) wishes: That after some preliminary fencing Major Holmes had further agreed that the "lump sum down," which the Eastern and General Syndicate would be willing to pay the Shaikh on his signing each of the new draft concessions would be the same, namely Rs. 45,000 for each separate concession (*a*) and (*b*), other subsequent payment being the same also in each case: That in this way he (the Shaikh) would get Rs. 90,000 straightaway as a first payment, which figure was superior to anything the Anglo-Persian Oil Company had to offer. Lastly, the Shaikh said that he thought that the existing draft Agreement of the Eastern and General Syndicate, as it stood even, was a superior one to that of the Anglo-Persian Oil Company.

5. After expressing some surprise at this new move of the Shaikh's I opined that it was impossible for two separate concessions to be granted to two companies in his small state. To this the Shaikh replied that he thought it was quite possible and that such two companies would doubtless come to some agreement with each other. I did not pursue the subject further.

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* No. 240.

6. Before leaving I mentioned to the Shaikh that I proposed asking Major Holmes for the two new drafts he had prepared. The Shaikh raised no objection but pointed out that I should ask in my letter "for the two drafts which the Shaikh had asked should be prepared."

7. I, accordingly, addressed Major Holmes officially under letter No. 50, dated the 22nd March, and asked him if he would kindly furnish copies of his new drafts for His Majesty's Government's and your information.

8. A copy of this letter, together with Major Holmes's reply, and a subsequent letter No. 56, dated the 22nd March, which I addressed to Major Holmes are enclosed for your information.

9. You will note that Major Holmes, in his reply to my first letter, as good as declines my request and leaves it for the Shaikh to give me copies of the drafts, when all points at issue had been agreed upon. At the time of writing Major Holmes has not replied to my second letter.

10. In conclusion I think the Shaikh has got his idea of a double or twin agreement either as a result of advice from Baghdad or as a result of his recent meeting with Bin Saud in the Desert, which from later corroborative evidence, I am now almost certain, took place. I am inclined to the former theory.

11. The Shaikh's object, as I see it, is to put himself right with His Majesty's Government by apparently offering the larger concession of the two to British interests, and the smaller to the Americans. In reality his intention would appear to be to try and arrange for an Anglo-American group to take up and work any concession finally taken up.

12. It is unfortunate that the Shaikh, prefers at this juncture, to keep me in the dark as to his real intentions. I put this down to the influence of Major Holmes and the interested advice he continually receives from that person.

13. Major Holmes and Mr. Janson have suddenly decided to fly to-morrow (23rd March) to Cairo, and have a further conference with Mr. Lombardi of the Standard Oil. I cannot say, at present, whether they are trying to drag him into the Kuwait business or whether their conversations are connected with Bin Saud and Nejd oil. I rather fancy that the latter is the correct answer and that Major Holmes will try and go on from Cairo to Jeddah.

I have, &c.,
H. R. P. DICKSON,
Lieutenant-Colonel,
Political Agent, Kuwait.

To the Honourable the Political Resident in the Persian Gulf,
Bushire.

COPY OF CONFIDENTIAL LETTER NO. 50, DATED THE 21ST MARCH FROM THE POLITICAL AGENT, KUWAIT, TO MAJOR FRANK HOLMES, EASTERN AND GENERAL SYNDICATE, KUWAIT.

I understand from His Excellency the Shaikh that at his request you have prepared and submitted to him two new "*twin*" draft Oil Agreements for his consideration, as alternatives to the single draft Agreement, already in possession of His Excellency and His Majesty's Government.

2. I further understand that the main features of these new draft agreements are as follows:—

(*a*) The first is to be confined to British interests and embraces an area of 1,200 square miles;

(*b*) The second will be reserved for American interests and embraces an area of 400 square miles.

3. If I have got my facts correct and I have not misunderstood His Excellency the Shaikh, I should be glad if you will let me have copies of the above two fresh draft agreements, for submission to His Majesty's Government and the Honourable the Political Resident and, if possible, before you leave for Cairo.

COPY OF LETTER DATED THE 21ST MARCH, 1933, FROM MAJOR FRANK HOLMES, EASTERN AND GENERAL SYNDICATE, LIMITED, KUWAIT, TO LIEUTENANT-COLONEL H. R. P. DICKSON, C.I.E., I.A., POLITICAL AGENT, KUWAIT.

I have received your letter No. 50 marked Confidential dated the 21st March, 1933, in which you request me to " let you have copies of the fresh draft Agreements."

As you have marked your letter " Confidential " it therefore precludes me from discussing your letter with His Excellency the Shaikh, and I feel that the above course should be my procedure. More especially as the Shaikh will, no doubt, forward to you a copy so soon as he has agreed all points at issue.

Your facts are only partially correct.

COPY OF CONFIDENTIAL LETTER No. 56, DATED THE 22ND MARCH, 1933, FROM THE POLITICAL AGENT, KUWAIT, TO MAJOR FRANK HOLMES, THE EASTERN AND GENERAL SYNDICATE, KUWAIT.

I have the honour to acknowledge receipt of your letter dated the 21st instant, for which I tender my thanks.

2. The " Confidential " marking of my letter No. 50 dated the 21st March has not the meaning attributed to it by you, nor is there any objection to your discussing it with His Excellency the Shaikh.

3. As indicated in my letter No. 50 my information was based on a conversation which I had with His Excellency the Shaikh himself, who was verbally told by me that I proposed addressing you on the subject.

4. I note from your letter that my information is only partially correct.

5. In conformance with the normal procedure, I shall be glad if you will let me have copies, for my own information and that of the Honourable the Political Resident of any new draft oil agreements as and when you present them to His Excellency the Shaikh.

18119/33 [No. 89].

No. 252.

MR. J. G. LAITHWAITE (INDIA OFFICE)

to

MR. F. C. STARLING (PETROLEUM DEPARTMENT).

(Copy received in Colonial Office, 20th April, 1933.)

DEAR STARLING, India Office, Whitehall, S.W.1, 18th April, 1933.

I ENCLOSE copy of a note given me by the Resident of his conversation with the Shaikh of Kuwait on 10th April about the Kuwait oil concession, which is, I think, self-explanatory.

I am sending copies to Parkinson, Warner and Rivett-Carnac.

I understand that Wednesday, 26th April, will be convenient for you for a discussion of the question generally.

Yours, &c.,
J. G. LAITHWAITE.

Enclosure in No. 252.

POINTS DISCUSSED WITH HIS EXCELLENCY THE SHAIKH OF KUWAIT ON 10TH APRIL, 1933, BY THE HONOURABLE THE POLITICAL RESIDENT AND COLONEL DICKSON.

1. POLITICAL Resident asked Shaikh not to make any decision with regard to the competing Oil Companies until the Political Resident returned from England (10th May, 1933). Shaikh gladly agreed.

2. The Political Resident said he understood from Colonel Dickson that the two drafts mentioned by the Shaikh (see Colonel Dickson's letter No. 58 of 22nd March) were now out of date, since His Excellency had informed Colonel Dickson that Sir J. Cadman on his recent visit to Kuwait, had made a further, and apparently final offer, which was distinctly in advance of anything hitherto offered by Eastern and General Syndicate. Colonel Fowle said that he would be grateful if before Shaikh accepted

any proposal from either Company, he (His Excellency) would submit the draft proposal for His Majesty's Government's advice, as he had already done in case of initial proposals. Colonel Fowle asked the Shaikh to submit the proposal to His Majesty's Government without indicating to the Company proposing it, that he (His Excellency) intended giving it to them. The Shaikh agreed immediately to this suggestion, and said that it had always been his intention to do so.

Note.—The point of this request is that the Shaikh for some reason might like to accept a worse offer (commercially) from the Eastern and General Syndicate, because of Major Holmes' influence over him, or because latter is prepared to give him a secret gratuity, which would not appear in the published agreement, or because His Excellency might like to interest the American Government in Kuwait, with the object of playing off His Majesty's Government *versus* the American Government. If however His Excellency, as he has promised, submits the final proposal from either Company for the advice of His Majesty's Government, the latter in the above contingency, would be quite at liberty—in the form of advice—to point out that the proposal which the Shaikh was willing to accept from the Eastern and General Syndicate was inferior commercially to that which the Anglo-Persian Oil Company were willing to give.

3. Colonel Fowle, who had been informed by Colonel Dickson that the Shaikh was keeping oil questions very dark, took the opportunity, without unduly crossing the " t's " or dotting the " i's," to bring to the Shaikh's notice a letter from Colonel Dickson to Shaikh, No. 34, dated 12th February, the last paragraph which ran as follows:—

" Lastly, I am desired by Honourable the Political Resident, to remind Your Excellency to keep me, your friend, generally informed of the progress of Your Excellency's discussions, with the representatives of the two oil Companies."

The Shaikh protested that he had always done so, and would always do so.

T. C. FOWLE.

Kuwait, 10th April, 1933.

18126/33 [No. 61].

No. 253.

THE ACTING RESIDENT to THE SECRETARY OF STATE.

(Received 5.27 p.m., 24th April, 1933.)

TELEGRAM.

[*Answered by No.* 255.]

24TH APRIL. No. 8. Major Holmes returned to Kuwait from Cairo. Please inform Fowle.

18119/33 [No. 90].

No. 254.

INDIA OFFICE to COLONIAL OFFICE.

India Office, 26th April, 1933.

SIR,

I AM directed by the Secretary of State for India to transmit to you, for the information of the Under-Secretary of State, Colonial Office, a copy of correspondence received from the Political Resident, Persian Gulf, on the subject of the proposed visit of the Shaikh of Kuwait to England.

I am, &c.,
S. F. STEWART.

Reference to previous correspondence: Letter from India Office of 18th April, 1933.* Copies sent to Foreign Office, Admiralty and Petroleum Department.

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* No. 250.

Enclosure in No. 254.

(Confidential.)
(No. 314-S.)

THE Honourable the Political Resident in the Persian Gulf presents his compliments to His Majesty's Secretary of State for India, London, and has the honour to transmit to him a copy of a letter No. 313-S of 31st March, 1933, to the Foreign Secretary to the Government of India, with enclosures, on the subject of the proposed visit of the Shaikh of Kuwait to England as guest of the Eastern and General Syndicate, Limited.

British Residency and Consulate-General,
Bushire.
31st March, 1933.

(Confidential.)

British Residency and Consulate-General,
Bushire, 31st March, 1933.

SIR,

I HAVE the honour to report that some time ago Colonel Dickson forwarded me a letter addressed to him from His Excellency the Shaikh of Kuwait, a copy of which I enclose, and which explains itself. Later Colonel Dickson informed me that the form of the invitation had been changed and that a fresh invitation had been issued in the name of Mr. Janson (a copy of whose letter to Colonel Dickson is enclosed), one of the Directors of the Syndicate. Presumably, this had been done to give a slightly less " company " flavour to the invitation, but to all intents and purposes it comes to the same thing. On Colonel Dickson inquiring from the Shaikh as to the correctness of Mr. Janson's letter, His Excellency confirmed it, and added that he had thanked Mr. Janson for his invitation, but had informed him that he could not accept until His Majesty's Government had been consulted, and given their permission.

2. With regard to His Excellency's letter of 15th February, I thought it best to try and settle the matter informally and so asked Colonel Dickson to take a suitable opportunity to explain verbally to the Shaikh that if he visited England as the guest of the Syndicate there might be difficulties about treating his visit as official. This hint was duly passed on to His Excellency, whose only remark—so Colonel Dickson informs me—was to the effect that presumably the Political Resident would reply to his official letter by a similar missive.

3. Both Colonel Dickson and I think it distinctly undesirable that the Shaikh should visit England as the " guest " of either the Syndicate or Mr. Janson. On the other hand the days, in my opinion, have definitely gone by, when we can keep the more important Arab Rulers of the Gulf—so long as they adhere to the terms of their treaties with us—in leading strings. I think in the long run we are likely to get more from them by—whenever possible—letting them make their own choice, with the ensuing consequences. I think it is probable, too, that His Excellency will show whatever official reply he receives to the Syndicate. I have had these various considerations in mind when drafting the reply, which I enclose, to the Shaikh's letter of 15th February, and which I suggest I be authorised to send. I would have preferred to settle the matter informally as in paragraph 2 above without troubling Government on the subject. As, however, the Shaikh has insisted on making " heavy weather " of the question, and on receiving an official reply, one has to be sent, I therefore thought it best to submit a draft before replying.

4. I would be grateful for telegraphic approval of the above draft. In the meantime I have instructed Colonel Dickson to inform the Shaikh that an official reply on the matter will be sent to him in due course. This will keep the matter in suspension for the present.

I am sending a copy of this letter to His Majesty's Secretary of State for India.

I have, &c.,
T. C. FOWLE, Lieutenant-Colonel,
Political Resident in the Persian Gulf.

To the Foreign Secretary to the
Government of India,
New Delhi.

(Translation.)

FROM HIS EXCELLENCY SHAIKH SIR AHMAD AL JABIR AS-SABAH, K.C.I.E., C.S.I.,
RULER OF KUWAIT TO THE POLITICAL AGENT, KUWAIT.

(Confidential.)
(No. 2/824-R.)

AFTER COMPLIMENTS, Dated the 20th Shauwal, 1351 (15th February, 1933)

WITH reference to the verbal conversation which I had with Your Excellency yesterday, Tuesday, regarding the letter which I have received from the President and Manager of the Eastern and General Syndicate, Limited, London, in which they invite me to visit England next summer at the expense of the said Company.

I have not given them any definite reply yet, as it is my intention to approach Your Excellency beforehand, in order that you may inquire from His Majesty's Government and let me know their wishes in this respect, for I cannot do such a thing (accept the invitation) without first obtaining their consent and approval.

Usual Ending.

Eastern and General Syndicate, Limited,
Kuwait, 19th March, 1933.

DEAR COLONEL DICKSON,

SOME time in December Major Holmes on my behalf, invited His Excellency the Shaikh of Kuwait to visit England during this summer as the guest of my firm. Now, however, since being a guest of His Excellency I have asked him to be my personal guest. I shall—upon my return to London—advise the Colonial Office of the invitation to His Excellency and so wish to inform you, so that if there be any official objection you can make it known to me either here or through the Colonial Office in London.

I may add that His Excellency has expressed to me his keen desire to accept my invitation and his wish to see England this summer.

Yours, &c.,
E. W. JANSON.

Lieutenant-Colonel H. R. P. Dickson,
Political Agent,
Kuwait.

DRAFT LETTER TO HIS EXCELLENCY THE SHAIKH OF KUWAIT.

AFTER COMPLIMENTS,

THE Political Agent, Kuwait, duly forwarded to me Your Excellency's letter of the 15th February to him on the subject of an invitation which the Eastern and General Syndicate, Limited, have extended to you to visit England this summer as their guest and at their expense. Your Excellency stated in that letter that you had not given any definite reply pending the result of an inquiry from His Majesty's Government as to their wishes in the matter, and whether they gave their consent and approval.

In a further letter Colonel Dickson informed me that he had received a letter from Mr. Janson, one of the Directors of the Eastern and General Syndicate, Limited, stating that the invitation for Your Excellency to visit England had now been changed to an invitation from Mr. Janson himself, instead of from the Syndicate. To this invitation —so Colonel Dickson informed me—Your Excellency had given the same reply as to the invitation from the Company.

I am directed by His Majesty's Government to reply to Your Excellency as follows:—

While a Ruler of a State often pays short visits to an oil-field, or a factory, belonging to a Company for the purposes of inspection, it is unusual for a Ruler to visit for the purpose of pleasure and change of air a foreign country where the Company has no works of its own to show him, and to permit that Company, or one of its members, to pay the expenses of that visit. But if Your Excellency wishes

to visit England as the guest of the Eastern and General Syndicate, Limited, or of Mr. Janson, you are of course at liberty to do so, and there is no question of His Majesty's Government's wishes, approval or consent. Should Your Excellency, however, visit England in such circumstances, His Majesty's Government understand that it will be unofficially, and that Your Excellency will not expect to be received officially with the honours customary on an official visit.

Usual Ending.

18119/33 [No. 91].

No. 255.

THE SECRETARY OF STATE to ACTING RESIDENT.

(Sent 8 p.m., 26th April, 1933.)

TELEGRAM.

[*Answered by No.* 257.]

ADDRESSED to Bushire No. 3. Repeated Kuwait Confidential. Your telegram No. 8.* Now Holmes has returned to Kuwait Shaikh has no doubt consulted him on latest offer by Anglo-Persian Oil Company reported in your telegram No. 5.† Please instruct Political Agent to approach Shaikh without delay and ascertain tactfully and unofficially, without giving Shaikh impression that we are unduly interested, Holmes's reaction to Anglo-Persian offer, and any indication as to Shaikh's present attitude.

This information is required if possible for discussions in London with Resident on 3rd May.—CUNLIFFE-LISTER.

18126/33 [No. 75].

No. 256.

(Confidential.)
(Extract.)

FINAL RECORD OF A MEETING HELD AT THE COLONIAL OFFICE ON THE 26TH OF APRIL, 1933, TO DISCUSS VARIOUS QUESTIONS RELATING TO OIL IN THE PERSIAN GULF.

Present:

MR. PARKINSON, MR. BLAXTER, MR. JAMES (Colonial Office).
MR. RENDEL, MR. JOHNSTONE (Foreign Office).
MR. LAITHWAITE (India Office).
CAPTAIN MOORE (Admiralty).
MR. STARLING (Petroleum Department).
LIEUTENANT-COLONEL FOWLE (Political Resident in the Persian Gulf).

I. *Kuwait Oil.*

1. MR. PARKINSON asked Lieutenant-Colonel Fowle what was the latest information which he had as to the negotiations in Kuwait.

2. LIEUTENANT-COLONEL FOWLE said that he had no further information beyond that already communicated from Bushire to the effect that within the last few weeks Sir John Cadman, on behalf of the Anglo-Persian Oil Company, had made a financial offer to the Shaikh (on a lump sum basis) which went very much further than anything previously proposed. Sir John Cadman had asked for the Shaikh's immediate acceptance, but the latter had replied that he must consult Major Holmes. Lieutenant-Colonel Fowle said that he had warned the Shaikh that before he finally made his choice between the two applicants, he must refer the new proposals to His Majesty's Government for advice. The Shaikh had said that this had always been his intention, and that he would certainly do so. Lieutenant-Colonel Fowle thought that it was not

* No. 253. † No. 245.

impossible that the Shaikh might accept an offer from the Eastern and General Syndicate which, on the face of it, was less favourable than the Anglo-Persian offer. This would probably mean that the Shaikh was receiving a secret commission from the Syndicate, which he would not have to pass on to his family.

3. In reply to a question LIEUTENANT-COLONEL FOWLE expressed the view that, if the British offer was clearly the better of the two, we could certainly advise the Shaikh very strongly to accept it, and he would not lightly ignore such advice.

4. MR. PARKINSON asked whether definite advice in favour of the Anglo-Persian Oil Company would be admissible from the Foreign Office point of view, having regard to the undertaking given to the United States Government.

5. MR. RENDEL thought that we should not be violating our pledge if we offered the Shaikh genuine advice on the merits of any proposal. We had in fact already done this in respect of the two original draft concessions, and it therefore seemed to follow that we should be justified in similarly giving advice on any new drafts which might be submitted to the Shaikh by the applicants for the concession. The difficulty, however, seemed to lie in the moment when such advice should be given. It would obviously be desirable to select a moment when two offers were in the field of which the Anglo-Persian was definitely the better one. But by selecting any such moment to give the Shaikh advice or to suggest to him that he should ask for it, we might easily be accused by the Americans of having, as it were, brought down the hammer prematurely, since the Americans would no doubt contend that they would have been ready to go one better than the Anglo-Persion offer had they been given more time. Moreover, if the Shaikh accepted our advice and decided against the Americans, he would no doubt, in informing Major Holmes (who would inform the Americans) of his decision, try to father the responsibility for the decision on His Majesty's Government so that some kind of protest from the Americans would probably be inevitable.

6. MR. PARKINSON suggested that a copy of our letter to the Shaikh should be communicated to the United States Government. The letter would set out in clear terms why the British offer was thought to be the better, and would advise the Shaikh, in the interests of his Principality, accept it.

7. MR. RENDEL agreed that this might be done, and said that the Foreign Office had always had in mind that it might eventually be advisable, if not to publish, at any rate to let the United States Government have the official correspondence on this subject.

8. MR. STARLING expressed some doubt as to whether such a course would really serve any useful purpose. The value of a concession had to be estimated from the technical as well as the financial point of view, and the Americans would probably find no difficulty in involving His Majesty's Government in technical arguments as to the respective merits of the rival offers. He pointed out that the Petroleum Department had already examined concrete proposals put forward by the two competing companies, and had found that, on balance, the British proposals offered the greater advantages to the Shaikh.

9. MR. RENDEL expressed the view that this was not a matter which could be taken to arbitration, or made the subject of legal proceedings. All that could be required of us was that our action should be justifiable on general grounds of equity, and should be within the framework of our pledge. In other words, if our advice to the Shaikh were given *bona fide* on the merits of the proposals put to him, and if we could put up, if necessary, a reasonable defence to show that we had not violated our pledge, it would probably not be necessary to take any protests we might receive from the United States Government too seriously.

10. CAPTAIN MOORE said that the Admiralty felt that, so long as our advice was genuinely given on the merits of the case, all legitimate pressure on the Shaikh might be used.

11. This brought up the question of when the limit of the present bargaining was likely to be reached. LIEUTENANT-COLONEL FOWLE suggested that the limit would be with the purses of the rivals. MR. RENDEL entered a caveat that to adopt any particular moment for tendering definite advice to the Shaikh one way or the other might be represented as a violation of our pledge.

12. In the course of the discussion it emerged that the Shaikh might possibly be waiting on events in Persia in connexion with the Anglo-Persian dispute before coming to a decision.

13. In reply to a question as to the latest information regarding possible sharing arrangements between the Anglo-Persian Oil Company and the Mellon group,

LIEUTENANT-COLONEL FOWLE said that, so far as he knew, the suggestion was that, if the Anglo-Persian Oil Company secured the concession, an arrangement would be made for the sharing of the marketing and distributing side of the concern on a fifty-fifty basis. MR. STARLING said that this agreed with his information and he had also been informed by Sir John Cadman that the Anglo-Persian Oil Company were determined, if possible, to secure the concession.

14. LIEUTENANT-COLONEL FOWLE suggested that it would facilitate discussion of the question if we knew what were Major Holmes's reactions to the latest Anglo-Persian offer. Major Holmes had now returned to Kuwait, and the Shaikh would certainly by now have consulted him regarding the offer. He therefore thought that the Political Agent might be instructed to approach the Shaikh and ascertain the present position. The meeting concurred in this suggestion, and the terms of a telegram to the Acting-Resident in the Persian Gulf were agreed. A copy of this telegram* as it was issued is attached to this record, and it was arranged that a further meeting should be held on the 3rd of May†, at which the position could be further considered in the light of any information received in the meantime from Acting Resident.

15. Two other matters bearing on the oil position in Kuwait were discussed, namely :—

(*a*) *Possible influence on the Shaikh's attitude of the Blockade and Date Gardens questions.*

MR. PARKINSON said he presumed that nothing could be said to the Shaikh to help matters until some definite conclusion on the part of His Majesty's Government could be communicated to him. Both questions were to be discussed in the near future, and it might then be possible to tell the Shaikh something definite which would help to remove his sense of grievance. LIEUTENANT-COLONEL FOWLE agreed that we must wait until we could report definite proposals on the part of His Majesty's Government.

(*b*) *Shaikh's visit to England as guest of Eastern and General Syndicate.*

The draft letter which the Political Resident had proposed to send to the Shaikh on this matter was considered. Various points were discussed and subject to a number of verbal amendments, the draft was agreed to. It was arranged that the India Office should communicate with the Acting Resident, authorizing the issue of the letter.

The meeting discussed whether the Shaikh should also be invited to England as the guest of His Majesty's Government It was decided that the Resident might intimate orally to the Shaikh that when the oil question had been settled, he might possibly receive an official invitation to visit England as the guest of His Majesty's Government. The opportunity should also be taken to impress on him the fact already brought out in the letter, that, if he came as the guest of the Company, official cognizance would not be taken of him in this country. LIEUTENANT-COLONEL FOWLE said that he would be visiting Kuwait on his way back to Bushire, and could then make a communication to the Shaikh in this sense.

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18119/33 [No. 99].

No. 257.

POLITICAL AGENT, KUWAIT, to THE SECRETARY OF STATE.

(Received 9.35 p.m., 30th April, 1933.)

TELEGRAM.

30TH APRIL. Addressed to Bushire No. 84. Repeated to Secretary of State for the Colonies. Colonial Office telegram No. 3.*

Shaikh consulted Holmes yesterday on latest offer Anglo-Persian Oil Company according to Shaikh Holmes immediately made higher offer making (my ? 953) condition which was agreed to that he be allowed to submit new draft concession under which northern half of Kuwait should go to British and southern half to America.

* *See* No. 255. † No. 259.

Shaikh said he was inquiring from Anglo-Persian Oil Company if they would better Holmes' offer, he added that he was not in the slightest hurry to arrive at settlement which inclines me to believe that he is now waiting to see what Ibn Saud does.

In my opinion Shaikh more than ever favourable to Holmes who, there is little doubt, went to Jeddah to negotiate separate concession for neutral zone with concurrence and approval of Shaikh. Ibn Saud apparently has not decided anything yet but should Holmes succeed his object his chance of getting Kuwait concession will clearly be greatly increased. Shaikh mentioned that Holmes flies London on 4th May to meet prominent American oil magnate arriving shortly.

18119/33 [No. 109].

No. 258.

INDIA OFFICE to COLONIAL OFFICE

India Office, 1st May, 1933.

SIR,

I AM directed by the Secretary of State for India to transmit to you, for the information of the Under-Secretary of State, Colonial Office, a copy of a telegram sent to the Political Resident, Bushire, on the subject of the proposed visit of the Shaikh of Kuwait to England.

I am, &c.,
S. F. STEWART.

Reference to previous correspondence : Letter from the India Office of the 26th April, 1933.*

Copies sent to Foreign Office, Admiralty, and Petroleum Department

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Enclosure in No. 258.

SECRETARY OF STATE FOR INDIA to POLITICAL RESIDENT, BUSHIRE.

(Sent 28th April, 1933.)

TELEGRAM.

(Repeated Government of India, Foreign and Political Department, No. 1051.)

1050. GOVERNMENT of India's telegram of 12th April, 948. Subject to following verbal amendments His Majesty's Government agree to despatch of draft letter to Shaikh of Kuwait included in Bushire despatch of 31st March, 313-S and would be glad if it could be despatched without delay.

(*a*) *Paragraph* 4, *line* 1.—For " often pays " substitute " occasionally pays."

(*b*) *Paragraph* 4, *line* 2.—For " it is unusual " substitute " it would be most unusual."

(*c*) *Paragraph* 4.—Penultimate sentence. Before words " at liberty," omit words " of course " and omit words " and there is no question of His Majesty's Government's wishes, approval or consent."

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* No. 254.

18126/33 [No. 76].

No. 259.

(Confidential.)
(Extract.)

FINAL RECORD OF A MEETING (ADJOURNED FROM THE 26TH APRIL) HELD AT THE COLONIAL OFFICE ON THE 3RD OF MAY, 1933, TO DISCUSS VARIOUS QUESTIONS RELATING TO OIL IN THE PERSIAN GULF.

Present:—

MR. PARKINSON, MR. BLAXTER, MR. JAMES } Colonial Office.
MR. RENDEL, MR. JOHNSTONE } Foreign Office.
MR. LAITHWAITE, India Office.
CAPTAIN MOORE, Admiralty.
MR. STARLING, Petroleum Department.
LIEUTENANT-COLONEL FOWLE, Political Resident in the Persian Gulf.
CAPTAIN PRIOR, Indian Political Department (lately Political Agent at Bahrein).

I. *Kuwait.*

1. MR. PARKINSON called attention to the latest telegram from Kuwait reporting that, on being consulted by the Shaikh regarding the last offer by the Anglo-Persian Oil Company, Major Holmes had immediately offered more favourable terms, on the condition that he should be allowed to submit a new draft concession allotting the northern part of Kuwait to the British, and the southern part to the Americans.

2. General discussion regarding the intention behind this new proposal showed that there is reason to believe that Major Holmes may have discovered, as a result of his explorations for water, that one area has more oil-bearing possibilities than the other, and that it is not out of the question that the part to be allotted to the British might be comparatively unremunerative. From information previously received from the Shaikh it is understood that the British area would comprise 1,200 square miles and the American area 400 square miles, and that the initial payment in the case of each separate concession would be Rs. 45,000.

3. MR. PARKINSON asked whether it would be practicable or advisable for His Majesty's Government to intervene at once, on the ground that the new proposal to divide Kuwait territory was unacceptable.

4. MR. RENDEL was inclined to think that to take this line might place us in a somewhat invidious position. Moreover, he saw some difficulty in intervening at this stage when we were unaware of the exact nature of the proposal, and had not yet learned the reactions of the Anglo-Persian Oil Company. In any case it would seem desirable, before tendering further advice to the Shaikh, to wait until the respective offers of the competing Companies might be regarded as more or less final.

5. In reply to a question MR. STARLING said it might be possible, on general principles, to take the line that Kuwait was too small comfortably to accommodate two oil concerns. It must, however, be borne in mind that recent indications suggested that British interests might wish to acquire a footing in Bahrein. Bahrein was considerably smaller than Kuwait and we should, therefore, be well advised to watch events in Bahrein before vetoing the new proposal merely on the ground of the smallness of Kuwait. Subject, however, to developments in Bahrein, he saw no reason why His Majesty's Government should not adopt such an attitude with a certain measure of justification.

6. The suggestion was made that the Shaikh should be told that he must accept the advice of His Majesty's Government on technical matters. It was pointed out that the Shaikh had, in effect, flatly contradicted the advice tendered by His Majesty's Government on the technical aspects of the two original draft concessions by asserting that, in his opinion, the Syndicate's offer, as it stood, was the better.

7. After some discussion it was agreed that it would not be within the terms of our pledge to insist on the Shaikh accepting our advice, even in technical matters. We could only give him our advice and warn him that by disregarding it he would be endangering his own interests. LIEUTENANT-COLONEL FOWLE expressed the view that the Shaikh would probably accept advice so tendered.

8. LIEUTENANT-COLONEL FOWLE also said that the Anglo-Persian Oil Company were being kept well abreast of all developments.

9. The conclusion was reached by the meeting that nothing could be done until we had the draft of the new "twin" concession proposed by Major Holmes, and that it would be desirable to send a telegram to the Acting Resident asking that the draft should be obtained from the Shaikh, ready for the Resident on his arrival at Kuwait.

II. *Kuwait Neutral Zone.*

10. MR. PARKINSON said that recent information from Jeddah showed that the question of a concession in the neutral zone might again come into prominence, and he presumed that this would be dealt with quite separately from any concession in Kuwait proper. He understood that the concession said to have been granted in 1924 by the Shaikh and Ibn Saud had never become operative, or was, in any case, now null and void.

11. It was generally agreed that the Shaikh should be told that he must obtain the approval of His Majesty's Government before granting any concession in the neutral zone. Owing to the pressure exercised by the United States Government he had been told that in the matter of the concession in Kuwait proper the ultimate decision must rest with him; and it was suggested that he might wilfully, or under a genuine misapprehension, act without reference to His Majesty's Government in regard to the neutral zone.

12. MR. RENDEL expressed the view that we must proceed with some care in the matter. Our right of control in the neutral zone was less than in Kuwait, and it might consequently be difficult to justify the adoption of a more rigid attitude in regard to the former area than in respect of the latter.

13. It was finally agreed that no written communication on the subject should be made to the Shaikh at present, but that the Resident should remind him orally that he must obtain the approval of His Majesty's Government before granting any concession in the neutral zone. The Resident should also take steps to discover what had actually happened in 1924, when a concession in the neutral zone is said to have been granted to the Eastern and General Syndicate.

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18126/33 [No. 69].

No. 260.

THE SECRETARY OF STATE to THE ACTING RESIDENT.

(Sent 3.10 p.m., 4th May, 1933.)

TELEGRAM.

ADDRESSED to Bushire. No. 4. Repeated to Kuwait, Confidential. Kuwait telegram No. 84* to Bushire. Please instruct Dickson if Holmes has already submitted draft of new twin concession to endeavour to obtain copy from Shaikh before Fowle's arrival in Kuwait on 11th May.

18119/33 [No. 130].

No. 261.

INDIA OFFICE to COLONIAL OFFICE

SIR, India Office, 16th May, 1933.

I AM directed by the Secretary of State for India to transmit to you, for the information of the Under-Secretary of State, Colonial Office, a copy of a telegram received from the Political Resident, Persian Gulf, on the subject of the Oil Concession.

I am, &c.,
S. F. STEWART.

Reference to previous correspondence: Letter from the India Office of the 1st May, 1933.†

Copies sent to Foreign Office, Admiralty and Petroleum Department.

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* No. 257. † No. 258.

Enclosure in No. 261.

POLITICAL RESIDENT, PERSIAN GULF, to SECRETARY OF STATE FOR INDIA.

(Received 1.45 p.m., 15th May, 1933.)

TELEGRAM.

15TH MAY. T.1. Anglo-Persian Oil Company inform me that Shaikh of Kuwait has intimated to them that he has decided to suspend negotiations for the oil concessions for the time being and will let both parties know when he is ready to resume them. Post copy to Government of India.—*Ends.*

18119/33 [No. 131].

No 262.

THE POLITICAL RESIDENT to THE SECRETARY OF STATE.

(Received 22nd May, 1933.)

(Confidential.)
(No. 28/454-S.)

THE Honourable the Political Resident in the Persian Gulf presents his compliments to His Majesty's Secretary of State for the Colonies, London, and has the honour to transmit to him a copy of correspondence received from the Political Agent, Kuwait, on the subject of the Oil Concession.

British Residency and Consulate-General,
Bushire.
2nd May, 1933.

Copies sent to the Foreign Secretary to the Government of India, Simla, and His Majesty's Minister, Jeddah.

Enclosure in No. 262.

(Secret.)
(No. 80.)

SIR, Political Agency, 27th April, 1933.

Oil Situation Report for Second Fortnight of April.

WITH reference to your demi-official letter No. 232-S, of 17th March, 1933, I have the honour to report that nothing of an unusual nature occurred during the first fortnight of April, which coincided with the period that Major Holmes was absent in Egypt and Jeddah. Local oil matters were entirely overshadowed by the arrival of H.M.S. *Enterprise* and the Persian Gulf Squadron and the round of entertainments that had been arranged.

My fortnightly reports on the oil situation will therefore start from 15th April—the present being the first of the series.

I note that anything of an important nature should be telegraphed to you.

I. *Arrival of Khan Bahadur Abdul Latif Bin Abdul Jalil, late Director of Customs at Kuwait.*

(*a*) This individual, an elderly and very shrewd person, has been residing at the Court of His Majesty King Bin Saud for the last three years in sort of voluntary exile. He arrived back from Riath via Bahrein early in April and after the King had proceeded to Mecca.

Ostensibly this person returned to visit his family who reside in Kuwait and also to make his peace with the Shaikh from whom he had, three years previously, parted under a cloud.

In reality there is evidence to show that he knows more about oil matters than he possibly cares to divulge—whether he has actually been given any sort of mission by Bin Saud has yet to be proved, but his frequent references to the " free hand " which the King has given him to compose certain differences with Kuwait, provided the results will benefit him (the King) financially, make one suspicious.

On the other hand, the worthy Khan Bahadur, who ostensibly, is very pro-British, may have failed to obtain a good enough job from the King in Saudiyeh, and had

therefore decided to return to the home of his fathers to see whether he could make good by pushing Anglo-Persian Oil Company's interests as opposed to those of Major Holmes. He certainly endeavoured to enlist the sympathies of the Anglo-Persian Oil Company on his arrival at Bahrein from Nejd, through their Agent, Mr. Yusuf Kano, C.I.E., M.B.E. (*vide* Bushire telegram 206, dated 27.3.33) and outwardly appears very anti-American and Major Holmes in particular.

The above remarks are made in the form of a digression in view of what follows.

(*b*) K. B. Abdul Latif, after two preliminary calls, at which no business was discussed, had a long interview with me on 24th April, 1933, and among other things made the following interesting statements connected with recent oil events :—

(1) Major Holmes only went to Jeddah to try and get an oil concession in regard to the Kuwait Neutral Zone—this he (Abdul Latif) had got to know privately through Mohamed Sulaiman, Bin Saud's Finance Minister

(2) Major Holmes was shrewd enough to know that if he could get Bin Saud to agree to give him the Neutral Zone, then the Shaikh of Kuwait's consent would follow as a matter of course, for Bin Saud had only to express the wish to Shaikh Ahmad that he also should grant his approval and the latter would fall into line.

(3) Should (1) and (2) above happen, then Bin Saud would certainly follow up matters by urging the Shaikh of Kuwait to give the Kuwait oil concession to the Eastern and General Syndicate and not to the Anglo-Persian Oil Company, as it would be impossible to have one Oil Company working in the Kuwait Neutral Zone and another next door in Kuwait territory. Obviously both must go together.

(4) The Shaikh of Kuwait's journey into the Southern desert on 20th February and 25th February accompanied by Major Holmes' confidential secretary was for the purpose of meeting the King or son Saud, the intention being to prepare the ground for the submission, by Holmes, of a draft proposal for a concession for the Neutral Zone. (See this Office Confidential Report No. 44, dated 5th March, 1933, to Bushire.)

(5) Following this visit Holmes received a telegram (18th March) from Bin Saud inviting him to Jeddah.

(6) The Shaikh of Kuwait, who clearly at heart was anxious to give the concession both for Kuwait and the Neutral Zone to Holmes, himself originated the plan and suggested to Holmes that he should go for the Neutral Zone first, get Bin Saud on his side, and then get the latter to press him (the Shaikh of Kuwait) to grant the Kuwait concession to himself (Holmes). The Shaikh believed that with Bin Saud supporting him, he need not fear His Majesty's Government's subsequent annoyance, if he agreed to this form of pressure.

(7) Only fear of His Majesty's Government, or moral suasion from Bin Saud would ever make the Shaikh grant the Kuwait oil concession to the Anglo-Persian Oil Company. This being so, His Majesty's Government must either bring quick pressure to bear on the Shaikh to grant the concession the way they wanted it to go, or the Anglo-Persian Oil Company must forestall Major Holmes in the Neutral Zone, get the concession for that piece of territory from Bin Saud and get the latter to bring pressure to bear on the Shaikh, where Kuwait was concerned.

As the first proposal could probably be ruled out, it was absolutely vital to the Anglo-Persian Oil Company that they should, through Longrigg in Jeddah or other special representative (the latter for preference) go " all out " for a concession in the Neutral Zone without delay.

(8) Lastly, Bin Saud intended giving no answer at all to any of the Jeddah concession hunters till the end of May or early in June.

Comments.

In my opinion the above statements are worthy of careful thought. They were put in typically Arab roundabout fashion, but I am nevertheless inclined to agree with most of what the late Director of Customs told me.

It is so obvious to the mere onlooker that the Shaikh's interests lie in the direction of the British company that nothing but a belief that it will be to his advantage

politically, if the Americans get into Kuwait could make him see things otherwise. This, I believe, is the crux of the whole business.

One must not forget that the Shaikh's mind, as that of all Nejdis, works by devious and tortuous routes.

II. *Arrival back of Major Holmes.*

Major Holmes returned to Kuwait from Jeddah on 27th April, 1933 (via Cairo and Imperial Airways). He called on the Agency on 22nd April, 1933, and among other points, mentioned the following facts :—

(*a*) He had been invited to Jeddah by Bin Saud. (This confirms my telegram No. 58 of 23rd March, 1933.)

(*b*) He had not attempted in any way to get an oil concession out of Bin Saud for the whole of part of Sau'diyah, but was after something else, which he could not divulge to me. (Obviously the Kuwait Neutral Zone.)

(*c*) He had not seen the King, but only the Finance Minister, Mohamed Ibn Sulaiman, who appeared very grasping and did not impress.

(*d*) He had only remained three days in Jeddah, during which time he had submitted his officials proposals, for the thing he wanted, in writing, and had addressed these to the King direct.

(*e*) He had met Longrigg, Twitchell, Hamilton and Philby (and Mrs. Philby). The first, he thought, would " cut no ice with Bin Saud as he had definitely the wrong personality " (his words). The second two he already knew. Philby he was much impressed with, especially his talented wife.

(*f*) He added that a Swiss and Italian were also at Jeddah, both after " oil."

(*g*) From what he had gathered whilst at Jeddah, Bin Saud intended collecting all applicants' draft concessions, and would study these at his leisure. Bin Saud would, however, decide nothing till the end of May. He certainly would not tell the various concession hunters this. (This confirms what K. B. Abdul Latif said to me.)

(*h*) He (Major Holmes) was sending his wife home from Kuwait by first available air mail (probably 4th May). (This may presage an early departure on Holmes's part also, and rather confirms my belief that nothing will be settled till the cold weather sets in again.)

Comment.

(*a*) Although Major Holmes is supposed to be *persona non grata* with Bin Saud, it would be unwise to suppose that for this reason his chances of getting a concession for the Neutral Zone from the King were poor. The astute Bin Saud, who always takes the " long view," might easily think it well worth his while to back Major Holmes in order to assert his influence over the Shaikh of Kuwait by forcing him to give Kuwait also to Major Holmes. To the Arab world this would mean that Kuwait was under his (Bin Saud's) political control, much as Qatar is believed to be. Such a move would not necessarily be unpleasing to the Shaikh either, even though he might make some sacrifice financially.

(*b*) Again, also, it must not be forgotten that the Shaikh, early in March, asked Major Holmes to prepare a new draft " twin " concession, under which 1,200 square miles would go to the British through Major Holmes, and 400 square miles to the Americans, also through Major Holmes. (See my report No. 58, dated 22nd March, 1933, to the Political Resident.)

Clearly the 400 square miles referred to is the Neutral Zone.

This seems to confirm the belief of K. B. Abdul Latif, that the Shaikh of Kuwait actually had in mind, and had deliberately planned that Bin Saud should bring pressure on him to give Kuwait to the Eastern and General Syndicate and not to the Anglo-Persian Oil Company, believing that His Majesty's Government, who were always afraid of hurting Bin Saud's feelings, would realize that the Shaikh was not to blame. No doubt he would arrange that Bin Saud should put the case clearly and firmly to His Majesty's Government, that as the Neutral Zone had gone to Holmes, it would be clearly against his (Bin Saud's) interests if Kuwait went to anybody else. Holmes would then offer Kuwait to a so-called British group and the Neutral Zone to the Americans. In reality it would mean the Americans getting both.

III. *Feelings of the people of Kuwait.*

In the meantime the people of Kuwait and the other members of the family of Al Subah are angry with their Ruler for delaying so long over this business. They all would like to see the Anglo-Persian Oil Company get the concession, but are powerless for reasons mentioned in my Confidential report No. 35, dated 15th February, 1933. For ready reference I repeat below some of the observations which I made then. They still stand :—

(*a*) The Shaikh would like to give the oil concession to the Eastern and General Syndicate, but is afraid of doing so least he offend His Majesty's Government.

(*b*) The Shaikh is playing a lone hand, and takes no local advice at all, nor would any of his leading merchants or nobles be able to proffer any advice, seeing that nine-tenths of them are indebted to him financially, and have not the courage to say what might not please. They think that it is up to His Majesty's Government to do the advice giving.

(*c*) None of the members of the Shaikhly House take any hand in the Government of Kuwait State, and their counsel is not sought.

(*d*) The Shaikh believes that it is not to his interest to have the Anglo-Persian Oil Company in his country, for two reasons :—

Firstly, because he thinks they do not intend to work the concession, in spite of all the Anglo-Persian Oil Company say. (This is Holmes's propaganda obviously.)

Secondly, because he thinks his independence might be threatened if he were to set up a concern backed by His Majesty's Government in his State. (Also obviously Holmes's teaching.)

(*e*) The Shaikh would like to believe that as His Majesty's Government made no stand when faced with the *fait accompli* of the Americans getting into Bahrein, it is not very likely that they will make much fuss if the same Americans get into Kuwait. He, nevertheless, is not sure on this point in view of the many strong hints which he has received from different quarters, and being somewhat of a moral coward, he is nervous.

(*f*) Major Holmes undoubtedly preaches that if the Americans got into Kuwait they would be a powerful asset, since the Shaikh could always play them off against His Majesty's Government, with the result that he would gain fairer treatment from both 'Iraq and Bin Saud.

IV. I enclose a copy of a secret D.O. No. 74, dated the 17th April, 1933, which I recently sent to the Special Service Officer, Basrah. It may help to throw light on some more obscure points.

I have, &c.,
H. R. P. Dickson,
Lieutenant-Colonel,
Political Agent, Kuwait.

To the Honourable the Political Resident in the Persian Gulf,
Bushire.

After Note.

Mr. Chisholm of the Anglo-Persian Oil Company told me last night that he proposed seeing the Shaikh to-day (27th April, 1933) and was going to ask that he (the Shaikh) should give him a letter to Bin Saud to the effect that if he (the Shaikh) gave the Kuwait concession to the Anglo-Persian Oil Company he would also, as far as he was concerned, raise no objection to the Anglo-Persian Oil Company taking out a concession for the Neutral Zone, and trusted that Bin Saud for his part would agree also.

This decision of Mr. Chisholm was come to before being aware of what I had written above.

Copy of Secret demi-official letter No. 74, dated the 17th April, 1933, from Lieutenant-Colonel H. R. P. Dickson, C.I.E., Political Agent, Kuwait, to Flight-Lieutenant E. Howes, M.C., Special Service Officer, Basrah.

Thank you so much for your letter No. 1/BS/34, dated 20th March, which I am most ashamed to say I never answered (owing, believe me, to very heavy work) and again for your No. DO/14/115 of the 10th April, just received.

2. As your first letter is somewhat out of date now I will not reply to it.

3. Reference your second letter—Your news entirely corresponds with what I was able to get here, though in view of later happenings I am now inclined to believe that Shaikh Ahmad and party met Bin Saud himself rather than his son Saud.

4. The fact that Mohamed Yatim (Holmes's Confidential jackal) accompanied Shaikh Ahmad on his first journey (20th to 23rd February) and again on the second journey (25th to 27th February) was the most suspicious part of the whole business.

5. If I am right, and the meeting with the King did take place, two things were certainly discussed :—

(*a*) Bin Saud's desperate need for money;
(*b*) Oil questions.

6. Under (*a*) it is not beyond the bounds of possibility that Bin Saud asked for a loan and in return offered *some* relief from the blockade. If (*b*) was discussed, also with the intention of getting money, the presence of Mohamed Yatim was significant.

7. The following later events, I think, did much to prove the correctness of my earlier suspicions :—

(*a*) On 18th March Bin Saud wired to Holmes to come to Jeddah at once if he wished to be a bidder for Nejd oil concessions;
(*b*) Holmes, Lombardi (Standard Oil Director) and Mohamed Yatim flew to Cairo on 19th March;
(*c*) Holmes and Mohamed Yatim went to Jeddah about 24th March, where they still are;
(*d*) Abdul Latif Bin Abdul Jalil recently returned from Riath and told me that Bin Saud was absolutely determined to close the Nejd door to Kuwait, even tighter than it has hitherto been closed and was about to set up a " wireless " at Haffar al Batin and strengthen his frontier guards. The news was in the nature of a threat and intended for Shaikh Ahmad's consumption. It points, I think, to the fact that Shaikh Ahmad refused to supply money to Bin Saud at the meeting referred to, unless the blockade was declared entirely off, which made the King decide on showing still less mercy to Kuwait than heretofore.

8. You heard, no doubt, that last month Bin Saud got £10,000 (or Rs. 10,000) out of the Shaikh of Qatar and has now asked the people of Hassa to pay a year's revenue in advance.

P.S.—Salim al Muzaiyin went to Riath and back about the time you mention; he confirmed all points you mentioned.

18119/33 [No. 136].

No. 263.

FOREIGN OFFICE to COLONIAL OFFICE.

The Under-Secretary of State for Foreign Affairs presents his compliments to the Under-Secretary of State for the Colonies and, by direction of the Secretary of State, transmits herewith a copy of correspondence received from His Majesty's Representative, Jeddah, on the subject of the alleged meeting between Ibn Saud and the Shaikh of Kuwait.

Foreign Office,
25th May, 1933.

Reference to previous correspondence : Letter to Foreign Office of 12th April, 1933.*

Copies sent to India Office, Admiralty and Petroleum Department.

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* 18119/33 [No. 84] : not printed.

Enclosure in No. 263.

(No. 112.)

His Majesty's Minister at Jeddah presents his compliments to His Majesty's Principal Secretary of State for Foreign Affairs and has the honour to transmit to him a copy of a despatch sent to the Political Resident, Bushire, on the subject of the alleged meeting between Ibn Saud and the Shaikh of Kuwait.

British Legation, Jeddah,
14th April, 1933.

(Copy sent to New Delhi under No. 33 of 14th April, 1933.)

(Confidential.)

British Legation, Jeddah, 14th April, 1933.

Sir,

I have read with great interest the despatch and enclosures from Colonel Dickson which you were good enough to forward under cover of your No. 19/220-S of 16th March. It may be worth observing that it is, in my opinion, unlikely that Ibn Saud can have gone to meet the Shaikh of Kuwait in February, though it would perhaps have been possible for him to do so quietly, as he seems to have been in camp at Rawdat-al-Khafs for some weeks before 19th March. I think there is more plausibility in the suggestion that the Shaikh may have met some personage in the King's entourage. His Majesty's cousin and brother-in-law, Sa'ûd al 'Arafa, appears to be close to His Majesty and may be in his confidence for certain purposes.

2. In the course of recent general conversation with Fuad Bey Hamza, I cited, as an example of Ibn Saud's unreadiness to do as much as he might to please His Majesty's Government, his action in trying to throttle Kuwait. Fuad Bey reacted with words which suggested that relations between this country and Kuwait were no concern of ours, to which I retorted that we had a special position in regard to Kuwait, a contention which Fuad Bey admitted. This conversation was in no sense a serious discussion; indeed, it was almost persiflage, which I had no reason to record but which may be of some interest in the present connexion.

3. I doubt whether Ibn Saud would look to the Shaikh of Kuwait for a loan, but it is possible that he may have some idea of co-ordinating their potential oil interests. I have repeated to you my reports to the Foreign Office regarding the progress of the negotiations here in regard to oil in Hasa and the singular incursion of Major Holmes.

4. On a small point, I may mention that I have had no news of the death of Sa'ad Ibn Luwey, of whom I have heard nothing since it was announced that he had been appointed to succeed his father Khâlid, who died on the march from Abha to Sabya.

5. I am sending copies of this despatch to His Majesty's Principal Secretary of State for Foreign Affairs and to the Government of India, Foreign and Political Department.

I have, &c.,
Andrew Ryan.

The Honourable the Political Resident
in the Persian Gulf,
Bushire.

18119/33 [No. 137].

No. 264.

The POLITICAL RESIDENT to the SECRETARY OF STATE.

(Received 29th May, 1933.)

(Confidential.)
(No. 32/484-S.)

The Honourable the Political Resident in the Persian Gulf presents his compliments to His Majesty's Secretary of State for the Colonies, London, and has the honour to transmit to him a copy of a letter No. 87, dated the 3rd May, 1933, from

the Political Agent, Kuwait (without enclosure), on the subject of the Kuwait Oil Concession.

British Residency and Consulate-General,
Bushire.
9th May, 1933.

Reference to previous correspondence: Colonial Office telegram No. 3 of 26th April, 1933.*

Copy sent to the Foreign Secretary to the Government of India, Simla.

Enclosure in No. 264.

(Secret.)
(No. 87.)

Sir, Political Agency, Kuwait, 3rd May, 1933.

As ordered in your telegram No. 346, dated 2nd May, 1933, I have the honour to forward herewith, a copy of my telegram No. 84 of 30th April.†

2. Regarding the last paragraph of this telegram, Holmes now tells me that he cannot get accommodation on the west-bound plane leaving Kuwait on the 4th May, so will have to go on that leaving on the 11th May. Should, however, he fail to get seats then, he will go overland via Mosul and Istamboul.

This information, I think, should be telegraphed to London, provided you see no objection.

3. The latest oil developments, as reported in my telegram No. 84, are interesting, and I think clearly show that the Shaikh, by having been given the very free hand he has, is going further and further away from the direction in which His Majesty's Government would like him to go, for the simple reason that he interprets "enforced neutrality" on my part as weakness on the part of His Majesty's Government, with the natural result that he tends daily to get more and more under the control of Holmes and farther and farther away from my influence.

4. This state of affairs is unfortunate, but so long as my hands are tied in the way they are, and I am also deprived of weapons with which to fight American intrigue (I refer to the failure to settle the Kuwait blockade, the question of taxation of the Shaikh's date gardens, and the Faddaghiyeh case). I see no great hope of the Shaikh being persuaded to look with greater favour on the Anglo-Persian Oil Company than he is at present doing. The contrary, indeed, is the more likely contingency.

5. I have had occasion to mention before, that we are to-day dealing with a weak and as often follows, very obstinate individual in the Shaikh of Kuwait, who though outwardly charming and pleasant, has all the steady cunning of the Nejdi; while on the other side of the picture the man who has got so much influence over him to-day, namely, Major Holmes, is a person of strong character and most convincing personality.

6. There is little doubt in my mind that the Shaikh has been taught to believe (by Major Holmes) over a period of several years now, that—

(*a*) His Majesty's Government cannot be entirely relied upon to fight his battles for him;
(*b*) that His Majesty's Government have let him down in the past, and will let him down in the future, because expediency largely governs policy to-day;
(*c*) that American influence in Kuwait (as represented by an American concern backed by the United States of America) will insure him a new-born independence with greater security from the attacks and bullying tactics of Bin Saud and 'Iraq;
(*d*) that the Anglo-Persian Oil Company, with its British Government connexion, will always be a dangerous company to have in his country.

7. It remains to see what will be the outcome of Holmes's latest move. I personally think that some time ago he was given carte blanche by his American backers to "top" any offer made by the Anglo-Persian Oil Company and that in the present case he has "off his own bat" offered a quarter of a million rupees, and wants now to go to London to get his offer ratified.

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* No. 255. † No. 257.

8. The Shaikh adroitly avoided giving me the figure offered by Holmes when I asked him what it was—a minor point perhaps, but one showing that he tries these days to keep me in the dark as far as possible where oil negotiations are concerned: one sees the hand of Holmes in this.

I have, &c.,
H. R. P. Dickson,
Lieutenant-Colonel,
Political Agent, Kuwait.

To the Honourable the Political Resident in the Persian Gulf,
Bushire.

18119/33 [No. 144].

No. 265.

MEMORANDUM OF A DISCUSSION AT THE INDIA OFFICE ON 2ND JUNE, 1933, BETWEEN MR. STARLING (PETROLEUM DEPARTMENT), MR. HEARN (ANGLO-PERSIAN OIL COMPANY) AND MR. J. G. LAITHWAITE (INDIA OFFICE).

(Confidential.)

Mr. Starling of the Petroleum Department and Mr. Hearn of the Anglo-Persian Oil Company called at the India Office on 2nd June to discuss informally the latest developments in the Kuwait oil concession and to consider the line to be taken.

2. Mr. Hearn read telegrams from the local representatives of the Anglo-Persian Oil Company in the Persian Gulf. From these telegrams it appeared that the Shaikh had telegraphed a message of congratulation to Sir John Cadman on the satisfactory outcome of the Anglo-Persian Oil Company's negotiations in Persia and had received an extremely cordial reply, the local effects of which had been considerable. The local Anglo-Persian Oil Company's representatives indicated that in the light of the Shaikh's reactions to this reply they thought there was some possibility of very rapid developments in the near future as regards Kuwait oil. From remarks dropped by the Shaikh they thought, indeed, that there was some possibility of his making a statement of interest on or about the time of the King's Birthday. His Excellency had further touched on the possibility of a visit to England and the question whether if he came as the guest of the Anglo-Persian Oil Company he would be recognised officially. The local representatives of the Company were anxious to know whether anything encouraging to the Shaikh and likely to make him take the decision desired by them could be said and in particular whether they might be authorised to offer him a visit and to make any statement as regards official recognition in this event.

3. Mr. Hearn had recently attended an inter-departmental meeting in connexion with the steps being taken by the Anglo-Persian Oil Company and the 'Iraq Petroleum Company to secure a definite concession in Qatar at which the general position seems to have been discussed with some freedom. Mr. Starling had, apart from this, given him generally to understand the position as regards Kuwait. I said in the first place, that as regards the King's Birthday, the Shaikh had received a K.C.I.E. very recently and there was, I understood, no question of an immediate further honour for him. The objections from the point of view of our understanding with the United States Government to giving him a special further honour at this juncture were patent. Mr. Hearn said he fully appreciated this.

4. As regards the visit home, I briefly referred to the discussions which had previously taken place, of the general sense of which Mr. Hearn was aware. I said that, anxious as we might be on general grounds that the Anglo-Persian Oil Company should succeed in getting this concession, we were quite definitely tied by the undertakings we had given to the United States Government to give a fair field and no favour and that it was obviously most important to take no step which could admit of misinterpretation. In these circumstances it was impossible not to feel that if the Anglo-Persian Oil Company were now formally to invite the Shaikh to England and he were to accept, and if on top of this His Majesty's Government were to extend official recognition to him and possibly offer him some hospitality, that the Americans, probably already by no means satisfied of our *bona fides*, would regard it as a deliberate attempt on our part to exercise influence, in a manner contrary to our undertakings, in favour of the British company concerned. While I could not say what the view of the Foreign Office was likely to be, it seemed improbable that it would differ from this and I thought it in the circumstances definitely preferable that the greatest caution should be exercised as regards any suggestion of an invitation by the Anglo-Persian

Oil Company. If they decided in favour of giving such an invitation before the Shaikh had made up his mind about the concession I did not think that official recognition of the Shaikh during his visit could be accorded by His Majesty's Government.

5. If, on the other hand, the Shaikh were, as the telegrams read by Mr. Hearn suggested might, in the view of the local representatives of the Anglo-Persian Oil Company, be possible, by any chance to make up his mind in the immediate future in favour of the Anglo-Persian Oil Company, the obstacles to a visit home and to official recognition of the Shaikh during such a visit would be very substantially reduced. But even in such circumstances it would seem definitely preferable from the point of view of our relations with the American Government that no visit should take place until a decent interval after the grant of the concession to British interests. Mr. Hearn after some further discussion agreed that, having regard to the position adopted *vis-a-vis* the United States Government by His Majesty's Government, it was undesirable to take any attitude different from that suggested in the conversation and proposes, I understand, to reply to his representatives in the Persian Gulf that the greatest care must be exercised as regards any extension of an invitation; that it should not be used at this stage; and that in the event of the Shaikh granting the concession to the Anglo-Persian Oil Company it would be preferable that the visit, if it took place, should be only after a decent interval.

6. *Qatar Concession.*—Mr. Hearn alluded to the discussion which had recently taken place about Qatar. I said that I had been on leave during this meeting and was not fully aware of the position, but a brief discussion took place. Mr. Hearn, who had previously referred to the possibility of some arrangement between the Anglo-Persian Oil Company and the Gulf Oil Company, under which the exploitation of the Kuwait concession, if it went to the Anglo-Persian Oil Company, should be entirely conducted by the Anglo-Persian Oil Company, the American interests having a share in distribution only, and had also referred to the recent acquisition of the Hasa concession by the Standard Oil Company, hinted at possible difficulties over safeguards in connexion with Qatar, particularly having regard to the international interests represented on the 'Iraq Petroleum Company. The French, in particular, might see considerable difficulty about any right of pre-emption in the event of war.

7. I said that, while I did not know what had taken place in the previous discussions, it was only fair to say that, so far as could be judged, the question of safeguards in respect of the Qatar area was likely to be of great importance. Having regard to the position of the Shaikh, his treaty commitments and possible difficulties about jurisdiction, it would be unfair to hold out any hope that they were likely to be easy to surmount. A different position might arise, indeed, if the Anglo-Persian Oil Company were to develop the Qatar concession, foreign companies having a distributing interest only and all personnel, &c., being British.

J. G. LAITHWAITE.

2nd June, 1933.

18119/33 [No. 143].

No. 266.

HIS MAJESTY'S REPRESENTATIVE, JEDDAH, to THE SECRETARY OF STATE FOR FOREIGN AFFAIRS.

(Received 12th June, 1933.)

TELEGRAM.

(Copy received in Colonial Office, 14th June, 1933.)

(Paraphrase.)

No. 10. (SAVING.) 1st June. My telegram No. 108.* Hamilton, the representative of the Standard Oil Company of California, left 31st May with the intention of proceeding very leisurely to London.

I do not know Swiss and Italian competitors referred to on page 236 of enclosure to Bushire despatch No. 28† to Colonial Office. I had heard of possible non-British European competitors including I think French but merely in the vaguest terms.

I think that in the report quoted in preceding paragraph Dickson under-estimates the effect of King's antipathy for Mr. Holmes. It is increasingly probable that

* 18254/33 [No. 37] : not printed.

† No. 262.

Holmes arrived in April with the primary object of obtaining Ibn Saud's assent to concession in Kuwait and neutral zone and discovered that there was nothing doing in that direction. He may also have found however that he was not *persona grata* for any purpose except apparently the enlargement of the field of competition for the Hasa concession. This might explain his rapid departure at the time when the King was expected to visit Jeddah within a few days.

These considerations might have a bearing on future developments concerning Kuwait and neutral zone concession if there is any foundation for Dickson's surmise that Shaikh of Kuwait and Ibn Saud have been exchanging views about oil.

The King hopes perhaps one day to reduce Kuwait to position of his vassal. He might well wish therefore to influence the Shaikh's policy in the sense adverse to Anglo-Persian Oil Company but not necessarily favourable to Holmes. Might he not prefer to see Standard California, who are already in Bahrein and have now got concession for Hasa coast, cut out all present candidates for Kuwait and neutral zone including Eastern Gulf to which Holmes is committed in respect of these two areas?

This of course is mere conjecture as I am not aware whether Standard California want to enter further areas in question.

Addressed to Foreign Office No. 10 Saving, repeated to Bushire.

18119/33 [No. 145].

No. 267.

THE SECRETARY OF STATE to THE POLITICAL RESIDENT.

(Sent 7 p.m., 20th June, 1933.)

TELEGRAM.

[*Answered by No.* 269.]

(Paraphrase.)

No. 7. PLEASE furnish by telegraph a brief summary of your discussions with Shaikh of Kuwait regarding oil blockade. Please furnish also as soon as possible by air mail a full account of these discussions. Fortnightly reports on oil position should continue to be furnished by Dickson. You will appreciate that it is most important that His Majesty's Government should be kept in closest touch with all developments on these questions.—CUNLIFFE-LISTER.

18119/33 [No. 150].

No. 268.

THE POLITICAL RESIDENT to THE SECRETARY OF STATE.

(Received 11.15 p.m., 20th June, 1933.)

TELEGRAM.

20TH JUNE. Addressed to the Secretary of State for the Colonies No. 13 repeated to Jeddah No. 483 copy by post to Government of India. Jeddah telegram of 13th June, No. 118* to Foreign Office.

Following from Political Agent, Kuwait:

Begins:—Letter from Ibn Saud arrived 16th June and was at once shown to me. Letter is so obscurely worded as to be almost untranslatable. Contains nothing about oil but makes following suggestions for settling blockade dispute. Shaikh to raise his sea customs to same figure as that existing in King's Hasa ports (*i.e.*, from 4 to approximately (?7) (70) per cent.). King in return to take only "Khawa" or tribal tax on caravans going into the interior at rate collected in Ibn Rashid's time by certain tribes (which would total 3 rupees per camel). His Majesty urges Shaikh to settle business privately and not through His Majesty's Government, who are not to be trusted.—*Ends.*

This proposal is unacceptable to the Shaikh who proposes to reply accordingly, and to press for his original suggestion of Nejd customs posts along the frontier.

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* Enclosure in 18148/33 [No. 17] : not printed.

18119/33 [No. 151].

No. 269.

THE POLITICAL RESIDENT to THE SECRETARY OF STATE.

(Received 9.40 p.m., 21st June, 1933.)

TELEGRAM.

21ST JUNE. No. 14. 1. Oil. Most important item in discussion was that Shaikh asked me to confirm that he was free to choose between the two rival Companies. I replied in the affirmative but added that this did not apply to Holmes' proposed division of territory (see Kuwait telegram No. 84 of the 30th April*) and particularly to neutral zone. Before committing himself on these points Shaikh should inform His Majesty's Government. As in his proposal Holmes had doubtless made inclusion of neutral zone a *sine qua non* Shaikh on this account or possibly influenced by considerations suggested in Jeddah Saving telegram of the 1st June† presumably thought it best to gain time by temporarily stopping bidding from both parties as reported in my telegram T 1 of the 15th May.‡ Despatch on oil from Dickson posted to you by last bag. Though (Dickson's) ?Ibn Saud's letter to Shaikh did not after all mention oil as Dickson assumes in his despatch, I think latter is probably right in his main prognostications.

2. Blockade. Regret that I had little time to discuss this subject with Shaikh. Dickson is engaged in extracting from Shaikh decision as to which of the three courses he is proposing to follow. For latest development see my telegram No. 13 of the 20th June.§

18119/33 [No. 156].

No. 270.

INDIA OFFICE to COLONIAL OFFICE.

SIR, India Office, 26th June, 1933.

I AM directed by the Secretary of State for India to transmit to you, for the information of the Under-Secretary of State, Colonial Office, a copy of a telegram from the Political Resident, Persian Gulf, on the subject of the Shaikh of Kuwait's proposed visit to England.

I am, &c.,
S. F. STEWART.

Reference to previous correspondence: Letter from the India Office of the 18th April, 1933.‖

Copy also sent to Foreign Office.

Enclosure in No. 270.

POLITICAL RESIDENT IN THE PERSIAN GULF to SECRETARY OF STATE FOR INDIA.

(Received 1.30 p.m., 26th June, 1933.)

TELEGRAM.

(Repeating telegram to the Foreign Secretary to the Government of India, Foreign and Political Department.)

26TH JUNE, 496. Addressed to Foreign and repeated to Secretary of State for India. For information. Shaikh of Kuwait now talks vaguely of proceeding to England by air on a private visit of about a month, on or after 20th July, giving 15 days' notice before departure. I presume that until oil (? question) is settled, official visit is out of the question.

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* No. 257. † No. 266. ‡ Enclosure in No. 261. § No. 268. ‖ No. 250.

18119/33 [No. 158].

No. 271.

MR. J. G. LAITHWAITE (INDIA OFFICE)

to

MR. C. F. A. WARNER (FOREIGN OFFICE).

(Copy received in Colonial Office, 3rd July, 1933.)

MY DEAR WARNER, India Office, Whitehall, S.W.1, 3rd July, 1933.

WITH reference to our telephone conversations about the Shaikh of Kuwait's visit, I write to say that my Secretary of State agrees that we should do what we can for the Shaikh (short of an official *visit*) while he is here, and that he is in favour of treating him well. I now enclose a draft telegram of instructions to the Resident. Would you be so kind as to telephone to me whether the Foreign Office concur in it?

As you will see, we are taking soundings of the Palace as to the possibility of His Majesty granting an audience to the Shaikh. I will let you know the result in due course.

I am sending copies of this letter to Blaxter and Starling.

I am, &c.,
J. G. LAITHWAITE.

Enclosure in No. 271.

DRAFT TELEGRAM TO GOVERNMENT OF INDIA, FOREIGN AND POLITICAL DEPARTMENT.

IMPORTANT. Resident's telegram dated 26th June, 496. If Shaikh is paying *bona fide* private visit at his own expense and not as guest of either of competing companies we should see no objection and, indeed, advantage, in such a visit at this stage, and we should be glad in that event to give him official recognition (though not to make him a State guest), while here. Effect of this would be that he would be recognised as Shaikh during his visit; would be officially received by Secretary of State; and would be entertained at private dinner during his stay on behalf of His Majesty's Government. We are also inquiring of the Palace as to whether the King would be prepared to receive him, but no hint of possibility should be given to Shaikh at this stage. If His Majesty agrees to do so it will probably be necessary for Shaikh to arrive here rather earlier as the King leaves London on 20th July.

Addressed Government of India.

Repeated Political Resident, Bushire.

18119/33 [No. 157].

No. 272.

THE POLITICAL RESIDENT to THE SECRETARY OF STATE.

(Received 3rd July, 1933.)

(Confidential.)
(No. 34.) British Residency and Consulate-General,
SIR, Bushire, 8th June, 1933.

IN continuation of my telegram No. T-1, dated the 15th May,* I have the honour to report that I have received a letter from the Political Agent, Kuwait, to the effect that on the 22nd May, about a week after Major Holmes had arrived from Bahrein, the latter called on the Political Agent, who in the course of conversation asked him what his plans were now that His Excellency Shaikh Ahmad had for the present suspended oil negotiations with both companies. Major Holmes pretended to be fairly startled, and said he had received no information to that effect. Colonel Dickson pointed out that he himself had been informed by His Excellency that his—Major Holmes'—Kuwait agent—one Mohamed Yatim—had telegraphed the news to Bahrein on the 13th May. Major Holmes protested strongly that he had received no information whatsoever either by telegram, letter, or verbally. Colonel Dickson went on to point out that this was strange as he had received an official letter, dated the 19th May, from

* Enclosure in No. 261.

the Shaikh confirming that he (the Shaikh) had informed both parties (the Anglo-Persian Oil Company, Limited, and the Eastern and General Syndicate, Limited) of the temporary suspension of oil negotiations. Major Holmes departed, saying he would discuss the matter with the Shaikh.

2. Major Holmes' denial of having received the news being obviously a falsehood, Colonel Dickson thought it as well to clear up the matter with the Shaikh. The following is Colonel Dickson's account of the interview :—

" His Excellency, after listening to my story of Major Holmes' ' denial ' with interest, remarked, ' Not only did Holmes lie to you, but I made him admit to me last night at dinner, that he had lied : he could not do otherwise, seeing that Mohamed Yatim, his Agent, was at dinner also, and told me in Arabic, which Holmes does not understand, that he had sent him full details by wire to Bahrein on 13th May of my decision and had fully explained the position on the steamer, to his chief ' (on the arrival of the latter at Kuwait).

" The Shaikh added that he had told Major Holmes that he had made a ' great and serious mistake,' and further volunteered the remark that ' perhaps Holmes had been drinking brandy.' "

3. What object Major Holmes thought he would gain by his clumsy and ineffectual falsehood I do not know. I merely report the incident as a sidelight on Major Holmes' mentality and methods of conducting his negotiations.

I am sending copies of this despatch to His Majesty's Secretary of State for India and the Government of India.

I have, &c.,
T. C. FOWLE,
Lieutenant-Colonel,
Political Resident in the Persian Gulf.

18119/33 [No. 162].

No. 273.

INDIA OFFICE to COLONIAL OFFICE.

SIR, India Office, 5th July, 1933.

I AM directed by the Secretary of State for India to transmit to you, for the information of the Under-Secretary of State, Colonial Office, a copy of a telegram sent to the Government of India on the subject of the Shaikh of Kuwait's proposed visit to the United Kingdom.

I am, &c.,
S. F. STEWART.

Reference to previous correspondence : Letter to the India Office of the 23rd June, 1933.*

Copies also sent to Foreign Office and Petroleum Department.

Enclosure in No. 273.

SECRETARY OF STATE FOR INDIA TO GOVERNMENT OF INDIA, FOREIGN AND POLITICAL DEPARTMENT.

(Sent 3rd July, 1933.)

TELEGRAM.

(Secret.)

1630. RESIDENT's telegram dated 26th June, 496. If Shaikh is paying *bona fide* private visit at his own expense and not as guest of either of competing companies we should see no objection and, indeed, advantage, in such a visit at this stage and we should be glad in that event to give him official recognition (though not to make him a State guest) while here. Effect of this would be that he would be recognised as Shaikh during his visit; would be officially received by Secretary of State, and would

* 18119/33 [No. 153] : not printed.

be entertained at private dinner during his stay on behalf of His Majesty's Government. We are also inquiring of the Palace as to whether the King would be prepared to receive him, but no hint of possibility should be given to Shaikh at this stage. If His Majesty agrees to do so it would probably be necessary for Shaikh to arrive here rather earlier as the King leaves London on 20th July.

Addressed Government of India No. 1630.

Repeated Political Resident, Bushire, No. 1631.

18119/33 [No. 164].

No. 274.

INDIA OFFICE to COLONIAL OFFICE.

SIR, India Office, 7th July, 1933.

I AM directed by the Secretary of State for India to transmit to you, for the information of the Secretary of State for the Colonies, a copy of a despatch from the Political Resident, Persian Gulf, on the subject of the proposed visit of the Shaikh of Kuwait to England.

I am, &c.,
S. F. STEWART.

Reference to previous correspondence : Letter from the India Office of the 1st May, 1933.*

Copy also sent to Foreign Office, Admiralty, and Petroleum Department.

Enclosure in No. 274.

(Confidential.)
(No. 647-S.)

THE Honourable the Political Resident in the Persian Gulf presents his compliments to His Majesty's Secretary of State for India, London, and has the honour to transmit to him a copy of a letter No. 646-S, dated 12th June, 1933, to the Foreign Secretary to the Government of India, Simla, on the subject of the Shaikh of Kuwait's proposed visit to England.

British Residency and Consulate-General,
Bushire.
12th June, 1933.

(Confidential.)
(No. 646-S.)

British Residency and Consulate-General, Bushire,
12th June, 1933.

SIR,

WITH reference to correspondence ending with India Office telegram No. 1050, dated 28th April, 1933, I have the honour to state that Colonel Dickson has informed me that His Excellency the Shaikh of Kuwait has stated to him verbally that he, the Shaikh, has definitely refused the invitation of the Eastern and General Syndicate.

I am sending a copy of this letter to His Majesty's Secretary of State for India.

I have, &c.,
T. C. FOWLE,
Lieutenant-Colonel,
Political Resident in the Persian Gulf.

To the Foreign Secretary to the Government of India,
Simla.

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* No. 258.

18119/33 [No. 166].

No. 275.

INDIA OFFICE to COLONIAL OFFICE.

SIR, India Office, 10th July, 1933.

I AM directed by the Secretary of State for India to transmit to you for the information of the Under-Secretary of State, Colonial Office, a copy of a telegram from the Political Resident, Persian Gulf, on the subject of the proposed visit of the Shaikh of Kuwait to England.

I am, &c.,
S. F. STEWART.

Reference to previous correspondence: Letter from the India Office of the 5th July, 1933.*

Copies also sent to Foreign Office and Petroleum Department.

Enclosure in No. 275.

POLITICAL RESIDENT to SECRETARY OF STATE FOR INDIA.

(Received 3 p.m., 8th July, 1933.)

TELEGRAM.

8TH JULY. Addressed to Secretary of State for India and repeated to Government of India, 530. Your telegram of the 7th instant, 1661.† Pending result of the inquiry (?from) Palace mentioned in your telegram, 1631, 3rd July,‡ I posted copy of that telegram to Dickson, instructing him to inform Shaikh (? verbally) of its gist, except of course part referring to possible reception by His Majesty, and to telegraph me when and if Shaikh proposed making visit. That communication will reach Dickson to-day and will get a reply to-morrow. Shaikh can only reach London in time for reception by His Majesty by catching the air mail of 13th July from Kuwait, which is very short notice and which Shaikh may not be able to arrange. In the circumtances do you wish me to inform the Shaikh regarding possibility of a reception by His Majesty?

18119/33 [No. 165].

No. 276.

INDIA OFFICE to COLONIAL OFFICE.

SIR, India Office, 10th July, 1933.

I AM directed by the Secretary of State for India to transmit to you for the information of the Under-Secretary of State, Colonial Office, copy of the papers noted below, on the subject of the proposed visit of the Shaikh of Kuwait to the United Kingdom.

I am, &c.,
S. F. STEWART.

Reference to previous correspondence: Letter from the India Office of the 10th July, 1933.§

Copies also sent to Foreign Office and Petroleum Department.

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* No. 273. † Enclosure in No. 276. ‡ Enclosure in No. 273. § No. 275.

Enclosure in No. 276.

SECRETARY OF STATE FOR INDIA to GOVERNMENT OF INDIA, FOREIGN AND POLITICAL DEPARTMENT.

(Sent 7th July, 1933.)

TELEGRAM.

SECRET. No. 1660. Repeated to Political Resident, Bushire, No. 1661. My telegram of 3rd July, 1630.* The King now proposes to leave London on 25th July. We understand that if Shaikh of Kuwait's visit materializes, and he arrives here two or three days before that date, it will probably be possible to arrange that he should be received by His Majesty. We should be grateful for very early intimation from Resident as to whether Shaikh proposes to visit this country and if so on what date he will arrive.

18119/33 [No. 163].

No. 277.

THE POLITICAL RESIDENT to THE SECRETARY OF STATE.

(Received 10th July, 1933.)

(Confidential.)
(No. 39.) British Residency and Consulate-General, Bushire,

SIR, 16th June, 1933.

IN continuation of correspondence ending with my telegram No. 11, dated the 10th June, 1933,† I have the honour to enclose a copy of a letter No. B (1), dated the 7th June, 1933, from Colonel Dickson, giving cover to an interesting note forecasting the probable trend of events in the struggle for the possession of the Kuwait Oil Concession. If Colonel Dickson is correct, and personally I think that most likely he is, we must expect some important developments.

I am sending copies of this letter to the Government of India and His Majesty's Minister at Jeddah.

I have, &c.,
T. C. FOWLE,
Lieutenant-Colonel,
Political Resident in the Persian Gulf.

Enclosure in No. 277.

(Confidential.)
(No. B (1).)

SIR, Bushire, 7th June, 1933.

As desired by you, I have the honour to submit a very rough note embodying my ideas on the Kuwait oil situation, as I see it in the light of His Majesty's Minister, Jeddah's telegram No. 124, dated the 5th June, 1933, to yourself.

I trust allowance will be made for the hurried nature of the note which I was anxious to get to you before my return to Kuwait.

I have, &c.,
H. R. P. DICKSON,
Lieutenant-Colonel,
Political Agent, Kuwait.

To the Honourable the Political Resident
in the Persian Gulf.

NOTE ON THE KUWAIT OIL SITUATION AS I SEE IT IN THE LIGHT OF HIS MAJESTY'S MINISTER, JEDDAH'S TELEGRAM No. 124, DATED THE 5TH JUNE, 1933, TO BUSHIRE (110 TO LONDON).

1. The news that Bin Saud has addressed a letter to the Shaikh of Kuwait propounding certain proposals of a commercial nature which can be counted on to give the Shaikh satisfaction, is most important, and as I read it means that Bin Saud is now definitely going to enter the lists in the matter of "Kuwait Oil."

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* Enclosure in No. 273. † 18254/33 [No. 40]: not printed.

2. It entirely confirms what I rather foresaw was coming, *vide* my Confidential letter No. 80 (copy forwarded to Colonial Office (No. 28), Government of India and His Majesty's Minister, Jeddah (No. 454-S) under Bushire printed letter dated the 2nd May, 1933), dated the 27th April, to Bushire, although the granting of the Hassa Oil Concession to the Standard Oil Company, not then visualized, somewhat confuses the issue.

3. I think we may for a start, disabuse our minds of the idea that the King has any sort of " feelings " for the distressed condition of the people of Kuwait, seeing that it is his blockade of the last 10 years which has brought them to the pass they are in.

4. In my view possibility (B) as envisaged by His Majesty's Minister, Jeddah, is the correct interpretation of what is going to happen, and the King now thinks the time ripe for establishing his political ascendancy over Kuwait under the guise of an oil agreement.

5. The plan of campaign to be adopted (part of which we have seen develop as below) will, I believe, be somewhat on the following lines:—

(*a*) It has been pretty clearly established now that when the Shaikh went into the Neid desert on the 20th and 25th February last (see my Secret No. 44, dated the 5th March, 1933—copy forwarded to Colonial Office (No. 19), Government of India and His Majesty's Minister, Jeddah (No. 220-S) under Bushire printed letter dated the 16th March, 1933—he met the King himself who was then 80 miles north of Hafar al Atz, hunting (or possibly his son, the Amir Saud, not Saud al Arafa as reported at the time). At this meeting details of the mode of procedure to be adopted were, I believe, discussed, and quite probably emanated from the Shaikh of Kuwait in the first instance.

(*b*) The Shaikh probably pointed out that Kuwait was on the verge of collapse due to the blockade and must obtain relief. The King expressed willingness to afford such relief provided the Shaikh would join forces in an oil agreement, details of which would be submitted later. Both States would thus benefit equally.

(*c*) The Shaikh probably went on to say that in the matter of the competing oil companies at Kuwait he himself on the whole was rather inclined to favour Holmes and his American backers.

(*d*) The King no doubt replied that he also favoured the Americans before the Anglo-Persian Oil Company and that if the Shaikh and he combined to keep the Anglo-Persian Oil Company out, not only would both reap an advantage, but he, Bin Saud, would be prepared to relax the blockade and champion Kuwait in her difficulties with 'Iraq.

(*e*) Behind the Shaikh's mind was the pleasing idea of getting relief from the blockade, and assisting Major Holmes and his Americans to get into Kuwait. Behind Bin Saud's mind was the plan to get the Standard Oil Company (also Holmes) into the Kuwait Neutral Zone, and then using this as a lever, get them into Kuwait as well, which would give him the ascendancy he had for so long sought over the Shaikh of Kuwait.

6. Then followed certain moves in the game which we know subsequently took place:—

(*a*) Bin Saud invited certain foreign oil representatives to come to Jeddah to negotiate an oil agreement, &c.

(*b*) Major Holmes, who represented the Eastern and General Syndicate, Limited, in Kuwait and the Standard Oil in Bahrein was also invited by special telegram to go to Jeddah. This he did.

7. As a result of negotiations mentioned in (6) above, the Hassa Concession has been given to the Standard Oil Company of America, *vide* Jeddah telegram of 30th May, 1933 (No. 108 to Foreign Office, 122 to Bushire).

8. There is little doubt in my mind that the Hassa Concession in respect of area especially, will be virtually the same as was given to Major Holmes in 1923 and which later lapsed. The important point for us to consider being that it will almost certainly have included in it the Kuwait Neutral Zone.

9. The next step will clearly be for Bin Saud to get the Shaikh of Kuwait to give his consent to the Standard Oil working in the Neutral Zone.

10. Bin Saud, in the letter which he has now addressed to the Shaikh of Kuwait (Jeddah telegram No. 124 to Bushire, dated 5th June, 1933), will no doubt suggest

to the Shaikh that he has noticed the distressed condition of Kuwait with pain, and that he will be prepared to ease off the blockade at once either entirely or in part, if he, the Shaikh, will agree to give his consent to the Standard Oil working the Neutral Zone. Probably also he will suggest that the Shaikh receive a certain share in the oil profits of the Hassa Concession, as a result of meeting him in this matter.

11. Any difficulties that might have arisen between the Eastern and General Syndicate, Limited, and the Standard Oil (both represented by Holmes) in the matter of the exploitation of the Neutral Zone have probably already been arranged; and Holmes' visit to Bin Saud at Jeddah was no doubt partly connected with such adjustment.

12. Bin Saud will no doubt now expect the Shaikh, as per plan already made, to reply agreeing with his request (in spite of the fact that the Political Resident on his recent visit to Kuwait reminded the Shaikh that he must make no decision in regard to the Neutral Zone without reference to His Majesty's Government).

13. The Shaikh will no doubt secretly give his consent to Bin Saud and then tell His Majesty's Government that he desires their permission to agree to Bin Saud's conditions, seeing that the benefits to be gained will be of such vital importance to Kuwait.

14. Bin Saud for his part will doubtless guarantee the Shaikh to get His Majesty's Government to put no difficulties in the Shaikh's way.

15. Bin Saud at one stroke will (*a*) please Kuwait by settling the blockade question; (*b*) please His Majesty's Government by so doing; (*c*) get the Americans into the Neutral Zone.

16. Then will follow the last and final move. Bin Saud will probably then inform the Shaikh that it will be quite impossible for him, the Shaikh, to give the Kuwait Oil Concession to the Anglo-Persian Oil Company, and that he must settle the matter in favour of Major Holmes and the Americans—his official reasons will be that to have the Standard Oil working alongside of the Anglo-Persian Oil Company as rivals in the same area will create an impossible situation. It will further be pointed out that the suspected oil is in North Hassa and the Neutral Zone, and the port of Kuwait will be needed for the export of such oil.

17. Lastly, it will be pointed out that the prosperity of Kuwait will be assured for all time with

(*a*) the blockade removed;
(*b*) a percentage of oil revenues from Hassa going into the Shaikh's pocket;
(*c*) the Shaikh getting all the profits from his Kuwait proper oil profits.

18. It may at this stage be even suggested as a further " bait," that if the Standard Oil (Holmes) get Kuwait as well as Hassa, all profits from Hassa, Neutral Zone and Kuwait may be pooled between Kuwait and Saudiyeh.

19. The final result, if everything goes according to plan, will be a close *rapprochement* between Kuwait and Saudiyeh, and the secret transference of our political ascendency over Kuwait to Bin Saud. Nor will the honour and prestige of Kuwait, in the eyes of the Arab world, be impaired.

20. The above is, I think, not very far short of what is in the wind to-day. The crux of the whole business lies, to my mind, in the Neutral Zone. On no account must this be allowed to be used as a pawn by either Bin Saud, the Shaikh of Kuwait, or Holmes, without His Majesty's Government's permission, for whoever gets the Neutral Zone will clearly get the Kuwait Oil Concession. This is certain.

H. R. P. Dickson,
Lieutenant-Colonel,
Political Agent, Kuwait.

Bushire,
7th June, 1933.

18119/33 [No. 167].

No. 278.

INDIA OFFICE to COLONIAL OFFICE.

India Office, 11th July, 1933.

Sir,

I am directed by the Secretary of State for India to transmit to you for the information of the Under-Secretary of State, Colonial Office, a copy of a telegram from

the Political Resident, Persian Gulf, on the subject of the proposed visit of the Shaikh of Kuwait to England.

I am, &c.,
S. F. STEWART.

Reference to previous correspondence: Letter from the India Office of the 10th July, 1933.*

Copies also sent to Foreign Office and Petroleum Department.

Enclosure in No. 278.

POLITICAL RESIDENT to SECRETARY OF STATE FOR INDIA.

(Received 10.50 a.m., 10th July, 1933.)

TELEGRAM.

10TH JULY. Addressed to Secretary of State for India and repeated to Government of India, 539. My telegram of 8th instant, 530. Shaikh of Kuwait has intimated that he has abandoned proposals to visit England.

18119/33 [No. 172].

No 279.

THE POLITICAL RESIDENT to THE SECRETARY OF STATE.

(Received 17th July, 1933.)

(Confidential.)
(No. 43.) British Residency and Consulate-General,
Bushire, 27th June, 1933.

SIR,

IN continuation of my telegram No. 14, dated the 21st June, 1933,† I have the honour to report that in addition to the item mentioned in that telegram, in the interview which Colonel Dickson and I had with the Shaikh, I took the opportunity of reminding the Shaikh of the considerations contained in your telegram No. 9, dated the 22nd December, 1932,‡ *i.e.*, "the Shaikh should be made fully aware, *i.e.*, by oral explanation, that if concession is granted to Eastern and General Syndicate it means that it will be transferred to a Company controlled by foreign capital even though nominally British and subject only to whatever measures of over-riding British control may hereafter be decided upon; while concession to Anglo-Persian Oil Company will ensure entire British control." I also reminded the Shaikh that whoever got the concession His Majesty's Government would have various safeguards for inclusion in the agreement. The Shaikh—so Colonel Dickson informed me—had again shown signs of trying to keep him—Colonel Dickson—in the dark about the oil negotiations. I again reminded the Shaikh of the necessity of keeping the Political Agent informed on this matter (in this connexion see paragraph 2 of my Express letter No. C-13, dated 6th February, 1933§ (copy forwarded to the Government of India under Residency printed letter No. C-15 of same date).

2. I asked the Shaikh how he felt about the communication which I understood Sir John Cadman had made to him on the latter's visit to Kuwait, *i.e.*, that if the concession went to the American Company the Anglo-Persian Oil Company, Limited—in their own interests—would be compelled to make a local "oil war" on the said Company. The Shaikh confirmed that this communication had been made to him by Sir John Cadman, and also by Mr. Elkington, who was then in Kuwait, but that he—the Shaikh—felt that this concerned the American Company and not himself. The Company (supposing they got the concession) would have to pay him the sums, and the royalties, due under their agreement, and if by reason of the "oil war" they were unable to carry on their work, their plant, &c.—under the agreement—would become his property, and he could lease the concession to some other Company. There seemed to me a good deal in what the Shaikh said.

3. I informed the Shaikh that I had heard that there was considerable dissatisfaction amongst the numerous members of his family as he was keeping them completely in the dark as to his oil negotiations. He was, of course, the Ruler, but

* No. 275. † No. 269. ‡ No. 198. § No. 233.

in these days public opinion counted for a good deal, and public opinion in Kuwait was represented largely by the Subah family. Whichever party he finally gave the concession to, would it not be wise to take this "public opinion" more into his confidence? The Shaikh replied that he never consulted his family on any matter. (This is quite true; it is one of his weaknesses that his rule is a "one man's show," unlike that of the Sultan of Muscat, for instance, who makes use of the members of his family to assist him in his administration.) As far as the Oil Concession was concerned, said the Shaikh, whatever decision he came to, he would see to it that his family followed suit. The Shaikh's attitude in this matter did not appear to me a particularly sensible one, but I did not pursue the matter further.

4. I asked the Shaikh how he felt about an amalgamation between the rival parties, supposing they decided amongst themselves at any stage that this would be more economical than to continue bidding against each other. He seemed to be confident that whatever happened in this direction he could manage affairs to his own advantage.

I am sending a copy of this despatch to the Government of India.

I have, &c.,
T. C. FOWLE,
Lieutenant-Colonel,
Political Resident in the Persian Gulf.

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